



Management Discussion and Analysis
for the six months ended June 30, 2013

To Our Shareholders

Management and Directors of Gamehost Inc. (the "Company") are pleased to present results for the six and three months ended June 30, 2013 (the "Period" and "Quarter" respectively).

Pressing Vinyl

Total operating revenues for the Quarter grew by 1.6% to \$19.4 million from \$19.1 in the same quarter of 2012. Earnings before interest, taxes, depreciation and amortization ("EBITDA") that is attributable to owners of the Company ("EBITDA to Owners") rose to \$8.7 million versus \$8.6 in the same quarter one year earlier. This is a record for quarterly EBITDA to Owners for the Company. EBITDA to Owners margin percentage fell marginally by 30 basis points to 47.0% from 47.3% in the Quarter compared to one year earlier, narrowly missing another record.

Smoothly Flowing River

Our hearts go out to the many people and businesses adversely affected by recent river flooding events throughout Alberta. Our Company's facilities and operations were fortunate not to have been impacted in any significant or lasting way.

From the end of the last quarter management has repurchased and cancelled 0.3 million common shares of the Company at an average price of \$13.31 inclusive of commissions for a total of \$3.6 million. Over the same time period 5.2 million in debentures were converted to 0.5 million common shares resulting in a net increase to the public float of 0.2 million shares. Since the issuance of the Company's debentures in 2010 and subsequently embarking on a campaign of repurchasing Company shares for cancellation, shares outstanding have increased by 2.1 million common shares. In the twelve months leading up to the debenture issue, average daily trading volume for the Company's shares on the TSX was 9,302 shares per day. Over the past twelve months the average daily trading volume for the Company's shares on the TSX has climbed to 11,090 shares per day, an increase of 1,673 shares per day or 18.0%. The rate of conversions offset by the share repurchases appears to be producing the beneficial effects of a smoothly flowing river delivering increased liquidity to all shareholders while avoiding any significant dilution to existing shareholders.

Notables

An additional 30 slot machines at our Boomtown Casino in Fort McMurray are really buoying results for the property. Initially installed in February 2013 we now have a full quarter of comparable results which have solidified our belief that the business could easily absorb some additional capacity. The new machines are performing well and have not yet reached their potential.

The Peter Pond Shopping Centre in which we lease space for our Boomtown Casino was acquired by H&R Reit in July 2013. We are excited to begin a relationship with this major real-estate player, and look forward to learning their vision for the aging complex.

Tables turned in a spectacular performance for the Quarter eclipsing a previous performance high by a full 11.0% on some very strong hold percentages. This makes up for some statistically soft prior quarters and returns the Company back to our longer term average Hold percentage of approximately 19.0%.

Our renovation and facelift of our Grande Prairie casino is progressing nicely. The freshened up and expanded food & beverage and live entertainment areas in the casino will ensure we remain the number one entertainment venue in Grande Prairie. We expect completion in early fall 2013.

Thank you to all our new and existing shareholders. Enjoy your summer.

31-Jul-13

On behalf of all management and Directors, sincerely,

A handwritten signature in black ink, appearing to read 'D. Will'.

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

A handwritten signature in black ink, appearing to read 'D. Will'.

Darcy J. Will
Vice President and Secretary
Gamehost Inc.

Management's discussion and analysis

for the six months ended June 30, 2013

This Management's Discussion and Analysis ("MD&A") of the business, operating results, liquidity and capital resources and other financial information of Gamehost Inc. (the "Company") is prepared as at July 31, 2013. This MD&A should be read in conjunction with the consolidated financial statements of the Company and accompanying notes for the six months ended June 30, 2013 (the "Period") and with the consolidated financial statements of the Company and accompanying notes for the year ended December 31, 2012.

This MD&A focuses on year over year comparative results for the three months ended June 30, 2013 (the "Quarter"). Readers are directed to prior MD&A for specific discussion of results of previous quarters. Previously issued financial statements and management discussion and other disclosures of the Company can be found on the Company website at www.gamehost.ca or SEDAR at www.sedar.com.

Caution to the reader

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

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

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

Forward-looking statements

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

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

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

Internal Control over Financial Reporting

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

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

Organizational structure

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

Shares

The Company had 23.2 million Shares issued and outstanding at June 30, 2013 (22.6 million - December 31, 2012) and 23.2 million Shares issued and outstanding at July 31, 2013 which trade on the Toronto Stock Exchange ("TSX") under the symbol GH. The Company is authorized to issue any number of and any class of shares.

Debentures

The Company had \$23.1 million face value debentures outstanding at June 30, 2013 (\$31.7 million - December 31, 2012) and \$22.9 face value debentures outstanding at July 31, 2013 which trade on the TSX under the symbol GH.DB.

Address

The head office of the Company is located at #104, 548 Laura Avenue, Red Deer County, Alberta, T4E 0A5. The registered office of the Company is located at 2800, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.

Overview of Gamehost

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

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

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

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

Overall financial results and condition of the Company

Financial results for the Quarter include a \$0.3 million or 1.6% increase in operating revenue compared to Q2 2012. EBITDA to Owners was \$0.1 million or 1.6% higher than one year earlier. EBITDA to Owners margin percentage rounded down 0.3 percentage points to 47.0% compared to in 47.3% in Q2 2012.

At the end of the Period, the Company had \$176.5 million in total assets down \$5.2 million from the start of the year. Cash balances of \$16.2 million were down \$3.5 million from the start of 2012. Net drawings and repayments on the Company operating lines plus scheduled principal reductions during the Period resulted in a net drawings of \$1.8 million raising the total credit facilities balance to \$22.4 million from \$20.6 million from the start of the year.

Quarterly performance summary

Quarterly performance			2012				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Operating Revenue	19.4	19.1	19.8	18.8	19.1	18.9	19.0	17.6
Cost of sales	(10.2)	(10.2)	(10.9)	(9.9)	(10.1)	(10.0)	(10.5)	(9.8)
Gross Profit	9.2	8.9	8.9	8.9	9.0	8.9	8.5	7.8
Other income	0.1	0.1	0.1	-	0.1	-	0.1	-
Administrative expenses	(1.3)	(1.3)	(1.2)	(1.3)	(1.3)	(1.3)	(1.4)	(1.3)
Profit from operating activities	8.0	7.7	7.8	7.6	7.8	7.6	7.1	6.6
Net finance costs	(1.2)	(1.1)	(1.0)	(1.4)	0.2	(2.0)	(1.2)	(1.5)
Profit before income tax	6.8	6.6	6.8	6.2	8.0	5.7	5.9	5.1
Income tax expense	(1.2)	(1.9)	(0.8)	(2.1)	(0.9)	(1.5)	(3.0)	(1.2)
Profit	5.6	4.7	5.9	4.1	7.3	4.2	2.9	3.9
Less Non-controlling interests	(0.3)	(0.4)	(0.4)	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)
Profit attributable to owners of the Company	5.3	4.3	5.6	3.8	6.8	3.9	2.6	3.6
(in millions of dollars unless stated otherwise)								
Earnings per share								
Basic	\$ 0.23	\$ 0.19	\$ 0.25	\$ 0.17	\$ 0.31	\$ 0.18	\$ 0.12	\$ 0.17
EBITDA to Owners	8.7	8.3	8.6	8.3	8.6	8.4	8.1	7.5
EBITDA to Owners %	47.0%	45.4%	45.5%	46.4%	47.3%	46.7%	44.8%	44.6%

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.

six months ended June 30, 2013	Gaming	Hotel	Food & Beverage	Corporate, other ⁽¹⁾	Total
Operating revenue and other income	22.2	6.6	9.7	0.1	38.6
Net Finance costs	1.2	0.6	0.5	(0.1)	2.2
Depreciation	0.7	1.0	0.4	-	2.1
Other expenses	9.5	2.9	6.3	2.2	20.9
Profit before income tax	10.8	2.1	2.5	(2.0)	13.4
Segment assets	79.5	67.1	26.5	3.4	176.5
Segment liabilities	20.8	16.1	9.1	15.2	61.2
Capital expenditures	0.3	0.1	0.1	-	0.5
six months ended June 30, 2012	Gaming	Hotel	Food & Beverage	Corporate, other (1)	Total
Operating revenue and other income	22.0	6.6	9.4	0.1	38.1
Net Finance costs	0.9	0.5	0.4	(0.1)	1.7
Depreciation	0.8	1.0	0.4	-	2.2
Other expenses	9.3	2.9	6.1	2.2	20.5
Profit before income tax	11.0	2.2	2.5	(2.0)	13.7
Segment assets	80.1	68.9	27.0	3.7	179.7
Segment liabilities	28.1	18.8	11.6	16.6	75.1
Capital expenditures	0.1	-	-	-	0.1

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

(in millions of dollars unless stated otherwise)

Operating revenue

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

Operating revenue	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Operating revenue	38.5	38.0	1.3%	19.4	19.1	1.6%

(in millions of dollars unless stated otherwise)

Operations posted a modest year over year revenue gain during the Quarter.

The Grande Prairie area is growth challenged while Ft. McMurray and Calgary continue to make strides.

Room revenue

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

Rooming	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Rooming	6.3	6.4	(1.6%)	3.1	3.2	(3.1%)
Occupancy	71.9%	71.9%	0.0%	69.6%	70.2%	(0.6%)
ADR	\$152.53	\$152.72	(\$0.19)	\$155.38	\$154.96	\$0.42
% of operating revenue	16.4%	16.8%	(0.4%)	16.0%	16.8%	(0.8%)

(in millions of dollars unless stated otherwise)

Rooming revenues were down marginally for the Quarter largely due to an extended spring breakup in the Grande Prairie region. Heavy rain in June resulted in road bans being put in place, ultimately affecting occupancy.

At Service Plus, in year over year comparisons for the Quarter, revenues fell 2.9% on reduced occupancy of 61.1% compared to 63.7%. An increase of \$1.10 in ADR helped to partially offset the reduction in year over year occupancy during the Quarter.

At Deerfoot, in year over year comparisons for the Quarter, revenues rose 0.6% on mostly improved occupancy. Occupancy increased 1.2 percentage points to 76.4% from 75.2% while the ADR over the same comparative period fell by \$1.17.

Table game revenue

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

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

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

The preceding examples demonstrate how variables can provide fluctuating results for Drop, Hold and Hold Percentage. These statistics can be misleading. At the end of the day, the only measure that really counts is Hold.

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

Net table revenue	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
General, progressive and high limit	5.0	4.5	11.1%	2.7	2.3	17.4%
Poker	1.0	1.0	0.0%	0.5	0.5	0.0%
Total	6.0	5.5	9.1%	3.2	2.8	14.3%
% of operating revenue	15.6%	14.5%	1.1%	16.5%	14.7%	1.8%

(in millions of dollars unless stated otherwise)

# of tables	End of Period		
	2013	2012	+(-)
All Others	42	49	(7)
Poker	16	16	-
Progressive Table Games	9	2	7
Total	67	67	-

Drop and Hold	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Drop	46.7	45.5	2.6%	22.9	22.9	0.0%
Hold %	19.1%	17.7%	1.4%	21.3%	18.5%	2.8%

(in millions of dollars unless stated otherwise)

Tables provided stellar performance during the Quarter with all properties realizing substantial increases to their table Holds while general activity on the tables remained consistent with the prior year.

At Boomtown, the current Quarter saw a 10.2% increase in table Drop and 2.1 percentage point increase in Hold % combining for a 16.3% increase in Net revenue year over year for the Quarter. Poker, though much less significant in terms of overall table revenues, recorded a 16.6% increase in revenues in year over year comparisons on the Quarter.

Great Northern saw their table Drop fall 6.0% while Hold % rose 2.1 percentage points resulting in a 4.9% increase in Net revenue year over year for the Quarter. Kings Bounty progressive table games were introduced and new G3 Table Systems were installed both of which provide side betting to the existing games. Furthermore, the progressive tables on which the G3 Table Systems were installed allowed us to link the in-house progressive tables to provide larger progressive pay-outs. These recent changes have proven to increase player participation and Hold %. Poker revenues were lower by 10.3% in year over year comparisons on the Quarter.

At Deerfoot, Drop fell by 1.8% while Hold % more than compensated with a 3.7 percentage point increase resulting in a 17.7% increase in Net revenues. Poker also posted a healthy 7.1% increase in revenue year over year for the Quarter though of less significance than other sources of table revenues.

Slot revenue

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

Slot statistics	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Cash Play	1,204.3	1,201.0	0.3%	615.6	605.4	1.7%
Machines ¹	1,636	1,606	30.0	1,636	1,606	30.0

(in millions of dollars unless stated otherwise)

¹ At the end of the Period / Quarter

Slot revenue	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Net	13.4	13.5	(0.7%)	6.8	6.9	(1.4%)
% of operating revenue	34.8%	35.5%	(0.7%)	35.1%	36.1%	(1.1%)

(in millions of dollars unless stated otherwise)

Growth in Cash Play for all of Alberta is levelling off. Fort McMurray, however, continues to buck this trend.

Boomtown recorded overall growth in Cash Play and Net revenue from the addition of 30 slot machines installed in February 2013. Cash Play is up 5.8% and Net revenue is up 1.7% in year over year comparison for the Quarter. The additional slot machines have resulted in some dilution to average win/day/machine which is down \$17.42 to \$417.68 for the Quarter compared to \$435.10 one year earlier. History has shown this slack will be taken up in relatively short time frame as we are already witnessing.

Great Northern, for the Quarter versus the comparable quarter one year earlier, saw a 2.4% decrease in Cash Play and a 10.0% decrease in Net revenue. A decrease of \$25.38 in average win/day/machine to \$255.21 from \$280.58 was recorded in the Quarter compared to one year earlier. A number of large player wins were realized during the Quarter resulting in the lower average win/day/machine. There were no changes to the number of slot machines at Great Northern during the Quarter.

Deerfoot, for the Quarter versus the comparable quarter one year earlier, saw a marginal increase in Cash Play of 0.2% while Net revenues rose by 0.6% on increased average win/day/machine of \$4.53 to \$272.08 versus \$267.55 one year earlier. There were no changes to the number of slot machines at Deerfoot during the Quarter.

Food & beverage (“F&B”) revenue

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

F&B Revenue	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Food & mix	3.8	3.8	0.0%	1.9	1.9	(0.0%)
Liquor	5.7	5.4	5.6%	2.7	2.6	3.8%
Total	9.5	9.2	3.3%	4.6	4.5	2.2%
% of operating revenue	24.7%	24.2%	0.5%	23.7%	23.6%	0.2%

(in millions of dollars unless stated otherwise)

Consumer spend on F&B continues to hold up well overall.

Boomtown combined F&B revenues increased 19.5% during the Quarter from one year earlier. Liquor sales were up 20.3%. Gross commissioned and other food sales which have a marginal impact on overall F&B sales were flat for the Quarter in year over year comparison. The comparative year over year sales growth is largely influenced by the closure of a competitor watering hole which closed its doors in July 2012 when the City of Ft. McMurray annexed the property for a major downtown redevelopment project.

Great Northern combined F&B revenues fell by 3.6% during the Quarter from one year earlier. Liquor sales were lower by 3.7% while gross commissioned and other food sales, which have a marginal impact on overall F&B sales, were 5.4% higher on the Quarter in year over year comparison. Expansion and refurbishment of the F&B areas of the casino are at the midway point with completion expected in mid-September.

Deerfoot reported a decrease in F&B revenue of 2.6% during the Quarter from one year earlier. Liquor sales were up by 0.6% while food sales decreased 4.5% over the same comparable period. Food sales are owned and operated by the Company at Deerfoot and contribute substantially to revenue.

Ancillary revenue

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

Ancillary revenue	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	3.3	3.4	(2.9%)	1.7	1.7	(0.0%)
% of operating revenue	8.6%	8.9%	(0.3%)	8.8%	8.9%	(0.1%)

(in millions of dollars unless stated otherwise)

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

Cost of sales

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

Cost of sales	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	20.4	20.0	2.0%	10.2	10.0	2.0%
% of operating revenue	53.0%	52.6%	0.4%	52.6%	52.4%	0.2%

(in millions of dollars unless stated otherwise)

Cost of sales as a percentage of operating revenue crept higher largely due to additional funds expended on repair and maintenance during the Quarter.

Cost of sales - cost of product

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

Cost of product	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Food & Mix	1.3	1.2	8.3%	0.6	0.6	0.0%
Liquor	1.2	1.1	9.1%	0.6	0.5	20.0%
Other	0.2	0.2	0.0%	0.1	0.1	0.0%
Total	2.7	2.5	8.0%	1.3	1.2	8.3%
% of operating revenue	7.0%	6.6%	0.4%	6.7%	6.3%	0.4%

(in millions of dollars unless stated otherwise)

Cost of product %	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Food & Mix	34.2%	31.6%	2.6%	31.6%	31.6%	0.0%
Liquor	21.1%	20.4%	0.7%	22.2%	19.2%	3.0%
Other	42.7%	40.4%	2.3%	41.8%	42.8%	(1.0%)

Both Boomtown and Great Northern have commission based third party arrangements for food services and therefore food sales at these locations do not factor significantly into costs of product results. Cost of product percentage will fluctuate with changes in the product sales mix.

Price increases on beer and changes to house products ate into margins during the Quarter. Sales prices were not increased to offset the increased costs for competitive reasons.

Cost of sales - operating labour

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

Operating labour	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Operating labour	9.6	9.6	0.0%	4.8	4.8	0.0%
% of operating revenue	24.9%	25.3%	(0.4%)	24.7%	25.1%	(0.4%)

(in millions of dollars unless stated otherwise)

Labour costs are managed tightly and have remained stable to the comparable quarter of one year ago.

Cost of sales - marketing and promotions

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

Marketing	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	1.4	1.5	(6.7%)	0.7	0.8	(12.5%)
% of operating revenue	3.6%	3.9%	(0.3%)	3.6%	4.2%	(0.6%)

(in millions of dollars unless stated otherwise)

Marketing costs continue to be managed tightly and have remained stable to the comparable quarter of one year ago.

Cost of sales - other operating costs

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

Other operating costs	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	6.7	6.4	4.7%	3.4	3.2	6.2%
% of operating revenue	17.4%	16.8%	0.6%	17.5%	16.8%	0.7%

(in millions of dollars unless stated otherwise)

An increase in year over year other operating costs for the Quarter is attributable to higher repair and maintenance costs, utility expenses and premises lease costs that are based on a percentage of revenue.

Other income

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

Other income	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	0.1	0.1	0.0%	0.1	0.1	0.0%

(in millions of dollars unless stated otherwise)

Management reached an early termination agreement with the smaller of the two leases of the Company's Strip Mall. The lessee vacated the premises in April but made payments to the end of July 2013. Management is considering options for the vacant space.

Administrative expenses

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

Administrative expenses	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	2.6	2.6	0.0%	1.3	1.3	0.0%
% of operating revenue	6.8%	6.8%	0.0%	6.7%	6.8%	(0.1%)

(in millions of dollars unless stated otherwise)

Net finance costs

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

Net finance costs	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Total	2.2	1.7	29.4%	1.2	(0.2)	(700.0%)

(in millions of dollars unless stated otherwise)

\$5.0 million in debentures were converted to common shares during the Quarter. This, together with scheduled demand debt principal reductions, has resulted in substantial interest savings from a year ago. Outstanding debentures at the end of the Quarter totalled \$23.1 million of the original \$55.0 million. At July 31, 2013, outstanding debentures totalled \$22.9 million. A onetime non-cash recovery posted in the prior year quarter results in less meaningful comparative results.

Income tax

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

Income tax	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Provision for current income tax	3.4	2.4	41.7%	1.7	1.0	70.0%
Taxes arising from changes in timing differences	(0.3)	(0.1)	200.0%	(0.5)	(0.2)	150.0%
	3.1	2.3	34.8%	1.2	0.8	50.0%

(in millions of dollars unless stated otherwise)

The combined federal and provincial tax rate in Alberta for 2013 is 25.0%.

Changes to tax legislation in 2011 were aimed at limiting a deferral of tax on income earned by a corporation through a partnership in circumstances where the partnership has a fiscal period that differs from the corporation's tax year. Transitional rules, however, allow the Company to pay deferred taxes from 2011 over a period of five years beginning in 2013.

At the end of 2012, the company had used up available tax shield on licenses acquired in 2010 when the Company purchased an additional 51% interest in Deerfoot. Provisions for current tax are higher as a result.

Reconciliation of EBITDA to Owners > Profit and Comprehensive Income

EBITDA to Owners > Profit and Comprehensive Income	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
EBITDA to Owners	17.0	17.0	0.0%	8.7	8.6	1.2%
EBITDA to Owners %	46.2%	46.7%	(0.5%)	46.7%	46.9%	(0.2%)
Add back:						
Amortization on property, plant and equipment	(2.1)	(2.2)	(4.5%)	(1.0)	(1.1)	(9.1%)
Finance costs	(2.2)	(1.7)	29.4%	(1.2)	0.2	(700.0%)
Income tax expense	(3.1)	(2.3)	34.8%	(1.2)	(0.8)	50.0%
EBITDA attributable to non-controlling interest	0.7	0.6	16.7%	0.3	0.3	0.0%
Profit and comprehensive income	10.3	11.4	(9.6%)	5.6	7.2	(22.2%)

(in millions of dollars unless stated otherwise)

Facility enhancement

Capital expenditures	Q2 (six months)			Q2 (three months)		
	2013	2012	+(-)	2013	2012	+(-)
Capital maintenance	0.2	0.1	100.0%	-	-	n/a
Capital expansion	0.3	-	n/a	0.3	-	n/a
	0.5	0.1	400.0%	0.3	-	n/a

(in millions of dollars unless stated otherwise)

Work continues on the F&B/entertainment expansion project at Great Northern Casino with completion near the end of summer 2013. The Company expects to spend \$0.8 million to facelift the exterior and add 2,600 square feet to lounge and entertainment amenities at the property.

Financial condition

Liquidity

Net cash provided by operating activities totalled \$7.3 million compared to \$8.2 million for Q2 2012 with tax instalments accounting for most of the difference. At the end of the Quarter cash balances totalled \$16.2 million compared to \$19.7 million at the start of the year. Factors affecting the Company's ability to generate cash in the near and longer terms are listed in the section 'Forward looking statements'. These factors are discussed in more specific terms in the section 'Business risks, opportunities and outlook'. Management closely monitors the Company's ability to sustain current cash dividends with cash flow from operations and other sources or uses of cash.

The Company has revolving credit lines totalling \$9.0 million of which \$6.0 million was available to be drawn at the end of the Quarter.

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

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

Working capital

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

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

Debentures

Debentures are redeemable at the holder's option. 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.

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 Period.

The Company has certain other commitments for equipment, services and premises rent as follows:

Commitments						
	2013	2014	2015	2016	2017	Thereafter
Total	0.9	1.2	1.1	1.1	1.1	2.5

(in millions of dollars unless stated otherwise)

Dividend policy and practice

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

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

Productive capacity

The Company's assets include land, land improvements, buildings, leasehold improvements, and furniture, fixtures and equipment. At the end of the Quarter, productive capacity of the Company consisted of 123 guest rooms and 1 meeting room at Service Plus, 188 guest rooms, 10 meeting/banquet rooms, 1 showroom, 3 restaurants and a lounge at Deerfoot and ancillary amenities for both facilities. Also included in productive capacity are the Company's interests in three gaming licenses, one each for Boomtown Casino, Great Northern Casino and Deerfoot Casino. Together these licenses provide a revenue stream for the Company from an equivalent 1,646 electronic gaming devices, 67 table/poker games and other ancillary equipment. The table below summarizes changes in productive capacity since the beginning of operations.

Productive capacity

Year	Event	Gaming Sq. Ft	Banquet sq. ft.	Guest rooms	F & B seating	Electronic gaming devices	Tables	Lease/ retail sq. ft.
2003	Inception of Fund	31,864		123	165	420	32	10,530
2003	Great Northern Casino Expansion	9,800	1,200		45	59		
	AGLC adds slot machines					20		
2004	AGLC adds slot machines					83		
2005	Deerfoot opening	24,000	8,000	75	140	252	13	
2006	Boomtown Casino expansion	11,000			40	193		
	AGLC adds slot machines					20		
2007	Deerfoot renovation	480			(20)	23		
2008	AGLC adds slot machines					16		
	Stampede Joint Venture	19,200	480		60	120	8	
	AGLC adds slot machines					3		
2009	AGLC adds slot machines					8		
	Stampede Joint Venture now discontinued operations	(19,200)	(480)		(60)	(120)	(8)	
2010	AGLC adds slot machines					60		
	AGLC adds VLT's					3		
	Acquisition of an additional interest in Deerfoot	31,212	10,200	113	153	448	20	
	Deerfoot table addition						2	
2011	AGLC adds VLT's					3		
2012	AGLC adds slot machines					1		
	AGLC adds VLT's					3		
2013	AGLC adds slot machines					30		
	AGLC adds VLT					1		
at June 30, 2013		108,356	19,400	311	523	1,646	67	10,530

Productive capacity maintenance

Productive capacity maintenance costs for facilities of the Company are minimal. Maintaining the shine on our properties so that they continue to attract guests is largely one of regular refurbishment such as paint or new carpets. For the most part, maintenance costs are treated as operational expenses at the time they are incurred and as such are already included in the periodic cash provided by (used for) operating activities as reported in financial statements. Management may, however, undertake smaller capital projects to be paid from cash generated from operating activities. These capital costs, when funded from operating cash flow, would fall into the category of productive capacity maintenance for the purpose of determining cash available for dividend distribution.

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

Slot, VLT and Lottery equipment is owned and maintained by the AGLC. Tables are owned or leased and maintained by the Company. Productive capacity maintenance of both tables and slot machines is more significantly measured in terms of maintenance of the Company's charitable gaming operator licenses issued by the AGLC. Holders of these licenses must adhere to a strict set of terms and conditions. Furthermore, the three year licenses are subject to annual due diligence audits by the AGLC which are at expense to the Company. The Company's charitable gaming operator licenses have consistently received favourable results from these audits. Current licenses are valid to June 30, 2014, but the Company considers the licenses to have indefinite life.

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

Discretionary and other items

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

Long-term unfunded contractual obligations

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

Capital Strategy

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

Debentures of 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 dividends in the manner described under "Dividend policy and practice". Current interest rates allow for scheduled amortization periods of between 10 and 15 years in meeting dividend objectives.

Financing restrictions on dividends caused by debt covenants

The Company has 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.

Income taxes

The Company is subject to income taxes. Transitional rules allow for the payment of taxes related to partnership income deferred from the 2011 fiscal year to be made over five years. At the end of the Quarter, deferred taxes on 2011 partnership income remained \$3.7 million. Payment of 2013 income taxes, will be made from cash generated from operations and available revolving credit facilities if required. During the Quarter, the company made estimated instalment payments of \$0.5 million for each of April and May before receiving federal and provincial confirmation of actual instalments required. Overpayments to that point required that no instalment was required for June. Instalments of less than \$0.5 million will resume for July through the end of the year.

Working capital

Working capital, by definition, is current assets minus current liabilities. The Company's demand debt facilities include demand clauses in the event certain performance covenants are not met. Demand loans are presented as current liabilities for financial reporting purposes to recognize demand clauses in the loans although the Company's lender does not consider the loans to be repayable within 12 months.

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

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

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

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

Cash dividends

2013 dividend summary

Month	per Share	Date			Net Shares o/s ¹	Net paid ¹
		Declared	Record	Payment		
January	0.0733	3-Jan-13	31-Jan-13	15-Feb-13	22,675,856	1.7
February	0.0733	14-Feb-13	28-Feb-13	15-Mar-13	22,886,275	1.7
March	0.0733	12-Mar-13	31-Mar-13	15-Apr-13	22,977,161	1.7
April	0.0733	9-Apr-13	30-Apr-13	15-May-13	23,022,716	1.7
May	0.0733	21-May-13	31-May-13	14-Jun-13	23,033,738	1.7
June	0.0733	17-Jun-13	30-Jun-13	15-Jul-13	23,173,716	1.7
July	0.0733				-	-
Total	0.5131					10.2

2012 dividend summary

Month	per Share	Date			Net Shares o/s ¹	Net paid ¹
		Declared	Record	Payment		
January	0.0733	16-Jan-12	31-Jan-12	15-Feb-12	21,159,628	1.5
February	0.0733	13-Feb-12	29-Feb-12	15-Mar-12	21,264,769	1.6
March	0.0733	13-Mar-12	31-Mar-12	13-Apr-12	21,333,736	1.6
April	0.0733	16-Apr-12	30-Apr-12	15-May-12	21,742,535	1.6
May	0.0733	8-May-12	31-May-12	15-Jun-12	22,056,754	1.6
June	0.0733	18-Jun-12	30-Jun-12	13-Jul-12	22,015,965	1.6
July	0.0733	17-Jul-12	31-Jul-12	15-Aug-12	22,029,453	1.6
August	0.0733	14-Aug-12	31-Aug-12	14-Sep-12	22,205,070	1.6
September	0.0733	10-Sep-12	30-Sep-12	15-Oct-12	22,469,478	1.6
October	0.0733	15-Oct-12	31-Oct-12	15-Nov-12	22,505,815	1.6
November	0.0733	12-Nov-12	30-Nov-12	14-Dec-12	22,547,504	1.7
December	0.0733	11-Dec-12	31-Dec-12	15-Jan-13	22,635,669	1.7
Total	0.8796					19.3

(in millions of dollars unless stated otherwise)

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

Tax attributes of dividends to Shareholders

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

Income Tax

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

Current income tax

six months ended June 30	2013	2012
Current tax expense		
Current period	3.5	2.4
Deferred tax expense		
Origination and reversal of temporary differences	(0.4)	(0.1)
	3.1	2.3

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:

six months ended June 30	2013	2012
Profit attributable to owners of the Company	9.6	10.7
Total income tax expense	3.1	2.3
Profit excluding income tax	12.7	13.0
Income tax using Company's domestic tax rate	25%	25%
Expected income tax expense	3.2	3.3
Changes in income tax expense resulting from:		
Effect of changes in temporary differences	(0.4)	(0.1)
Other	0.3	(0.9)
Actual income tax expense	3.1	2.3

Capital resources

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. \$2.3 is drawn on the revolving segment of the loan at July 31, 2013 (\$nil - December 31, 2012).

The Company has 6.25% Convertible Unsecured Subordinated Debentures ("Debentures") which trade on the Toronto Stock Exchange ("TSX") under the symbol GH.DB. The Debentures have a maturity date of July 31, 2015 (the "Maturity Date"). Each Debenture is convertible into Shares at the option of the holder of a Debenture (a "Debentureholder") any time prior to the close of business on the Maturity Date of the Debentures at \$10.65 per Gamehost Inc. common Share (the "Conversion Price"). 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. At July 31, 2013, there were \$22.9 million in face value outstanding debentures.

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	June 30, 2013	December 31, 2012
Credit facilities available at face value			
Demand loan	2020	9.3	10.0
Revolving credit lines	2020	9.0	9.0
Deerfoot - demand loan and finance lease	2025/2015	10.1	10.9
Debentures face value	2015	23.1	31.7
		51.5	61.6
Carrying value of borrowed amounts			
Current liabilities			
Demand loan		9.3	10.0
Revolving credit lines		3.0	-
Deerfoot - demand loan and finance lease		10.1	10.6
		22.4	20.6
Non-current liabilities			
¹ Debentures payable		20.2	27.8
		42.6	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 value attributed to the Debentures conversion privilege to Shares. The equity component was determined by discounting the cash flows of future interest payments on the Debentures and the final pay-out of the Debentures at maturity using a cost of capital of 8%. The face value of Debentures is further reduced by Debenture issuing costs which are the amounts incurred to secure the Debenture financing. Debenture issue costs and debenture conversion privileges are amortized to interest expense over the life of the Debentures. The effective interest rate for amortization of the debenture issue costs is 9.4%.

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

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 \$10.0 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.

Financial instruments

Fair value

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

Interest rate risk

The Company's interest rate risk arises primarily from its variable rate debt in the aggregate amount of \$22.3 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 \$0.2 million or \$0.01/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 Period, past due accounts are insignificant.

Liquidity risk

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

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

The Company's lender has scheduled monthly blended payments that will amortize the demand 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.

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

	Carrying amount	Contractual cash flows	1 year or less	Years 2 to 5	More than 5 years
As at June 30, 2013					
Trade and other payables	4.0	4.0	4.0	-	-
Finance lease	0.3	0.3	-	0.3	-
Demand loans	19.1	22.5	2.0	12.3	8.2
Revolving credit facility	3.0	3.0	-	-	3.0
Debentures payable	20.2	26.1	0.7	25.4	-
	46.6	55.9	6.7	38.0	11.2

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.

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 39.3% of the outstanding common shares of the Company.

- The Company recorded \$0.8 million (\$0.8 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.

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.

Non-controlling interest

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

Shareholder equity

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

Business risks, opportunities and outlook

Economic outlook

Though the current Quarter reported only modest revenue gains we remain optimistic for continued growth.

Recent flooding has frequently put Alberta in the news of late. Both Ft. McMurray and Calgary, communities in which we operate, were affected with Calgary being severe. Operations in both communities were not adversely affected. The aftermath of the flood will have minimal or no lasting impact on our business in either community.

The City of Ft. McMurray is pushing forward with an ambitious redevelopment plan for the downtown core. Eager to prove to the world that the city has come of age, the redevelopment plan is designed to showcase a world class vision and attract migrant workers to permanently relocate to the area. We are following this plan closely for any opportunities or risks that may arise.

With the South Health Campus now operational and Quarry Park development continuing to expand and attract new business and residents to Calgary's SE quadrant we remain bullish on our operations at Deerfoot Inn & Casino.

Grande Prairie remains in a holding pattern. While activity in the community is definitely showing signs of life it is not translating to growth in entertainment spend. We remain confident that current stagnation will in time abate. An exterior facelift and expansion of the F&B and live showroom areas of the casino are continuing and we look forward to completion in late summer.

In recent days we have seen a marked increase in the price of oil following some encouraging signs on the USA economy. We are hopeful this uptick in economic activity south of our border can continue as Alberta is well positioned to benefit as a result.

Government regulation

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

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

The Board of the AGLC continues to support a moratorium on the licensing of new casino facilities and will not accept any new applications during this moratorium period.

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

Competition

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

There has been some discussion of a new hotel being constructed in the nearby community of Quarry Park. We are monitoring this story and it's possible impact on hotel operations at Deerfoot Inn & Casino.

New gaming floor space and slots were operational as of June 2013 at the First Nations casino located in Calgary's SW quadrant. The increase in this competitor's capacity has had no noticeable impact on our Deerfoot property. Other improvements to the First Nations casino including expanded live entertainment and a hotel are still in the construction phase. We will monitor for any potential impact when these open for business. All gaming competitors outside Calgary's downtown core experienced an increase in gaming activity as a result of disruptions to the downtown casinos affected by flooding. To the end of July 2013 we continued to see the benefits of this. Time will tell how lasting the change in patron loyalties will be.

The Great Northern Casino in Grande Prairie is the only full service casino in the city. Evergreen Park, the area's agribition and trade grounds are located 8.5 kilometres from the city centre. The park operates a small racino with off-track betting and 99 slot machines. The Company has recently initiated plans to expand and improve Great Northern's food and entertainment areas and update the casino's exterior in an effort to regain patrons.

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

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

International Financial Reporting Standards (IFRS)

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 9. 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.

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.

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) 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.

Additional information

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