



Gamehost Income Fund
1st Quarter Report 2004
For the three month period ended March 31, 2004

To our Unitholders

The Trustees and management of Gamehost Income Fund are pleased to present our results for the three-month period ended March 31, 2004.

Continuing the trend we have seen since inception of the Fund, revenues increased to in excess of \$6.07 million for the quarter. The quarter was especially strong with the Fund posting record high revenues in every area of business with the exception of food sales and even these were near the previous high recorded. Earnings before interest, taxes and all amortizations (EBITDA) totaled \$3.27 million for an EBITDA margin of 54%. This compares to the final quarter in 2003 where EBITDA was \$2.77 million and EBITDA margins 50% on revenues of \$5.55 million.

Cash Distributions Increased

For the months beginning January 2004, Trustees increased the monthly cash distributions to unitholders to \$0.120 from the \$0.115 per unit paid during 2003. We believe the higher distribution is sustainable over the long term and the current revenue trend supports this. The Fund currently maintains a distributable cash surplus of \$1.27 million equivalent to \$0.180 per unit accumulated from June 1, 2003 to the end of March 31, 2004. The excess distributable cash after 7 months at December 31, 2003 was \$675 thousand or \$0.10 per unit. An additional \$590 thousand or \$0.08 per unit was accumulated during the first quarter of 2004. Excess distributable cash is earmarked for our ongoing investment in Deerfoot Inns and Casino Inc. and will minimize the debt required for the investment. There will be no tax implications to the Fund by retaining these excess cash distributions as there are sufficient deductions for tax purposes in the form of reorganization cost and goodwill amortizations available.

Operations

The continued strong energy and construction sectors of the economy have kept demand strong for all of our related operations in hoteling, entertainment, food & beverage services and gaming. Gaming continues to gain wider public acceptance. This is especially true at the Fund's casinos where our mission is to attract the social occasional gamer by offering clean exiting venues with plenty of quality live entertainment options and first rate food and beverage services. Both the Great Northern Casino in Grande Prairie and Boomtown Casino in Ft. McMurray posted record electronic gaming revenues during the quarter. Food and beverage services also performed at record levels. Credit needs to go to our dedicated staff who have been creative in designing programs that attract new customers and return visits from our existing clientele to all of our properties.

Service Plus Inns & Suites in Grande Prairie also had their strongest sales quarter to date. The hotels proximity to the Great Northern Casino provides a competitive advantage that other hotel operators can not offer. Staff at the hotel have worked hard to strengthen existing client relationships given some added competition in the trading area. There efforts have paid off in some of our highest occupancy rates ever.

2004 Distribution Summary

Month	Date Declared	Record Date	Date Paid	Distribution per Unit
January	15-Jan-04	31-Jan-04	15-Feb-04	\$0.120
February	16-Feb-04	29-Feb-04	15-Mar-04	\$0.120
March	15-Mar-04	31-Mar-04	15-Apr-04	\$0.120
April	15-Apr-04	30-Apr-04		\$0.120
May				\$0.120
June				\$0.120
July				\$0.120
August				\$0.120
September				\$0.120
October				\$0.120
November				\$0.120
December				\$0.120
2004 Anticipated Distribution				\$1.440

Outlook

Deerfoot Inn and Casino Inc., of which we are a joint venture partner, received the necessary go ahead on April 20, 2004 to proceed with the development of a hotel/ convention/ entertainment/ casino facility for South Calgary. Construction of this \$40 million complex will begin on or before June 1, 2004. When completed in quarter 4 of 2005, and the required regulatory approvals have been granted, the doors will be open to this first-of-its-kind facility in Alberta. This venue promises to be a spectacular addition to the Calgary entertainment and social scene.

The strong quarter one casino revenues are encouraging. Management anticipates continued solid revenue generation. Expected revenue generation for the remainder of the year will allow the Fund to maintain current cash distribution levels and generate some additional surplus for funding our Contributing Responsibility to the Calgary Joint Venture.

The fund is well managed and opportunities abound. We hope you are as exited about the future of the Fund as we are. Thank you for your ongoing support.

Sincerely,

(Signed by David J. Will)

(Signed by Darcy J. Will)

David J. Will
Chairman, Gamehost Income Fund

Darcy J. Will
President, Gamehost Income Fund

GAMEHOST INCOME FUND

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2004 (Unaudited)

TABLE OF CONTENTS

REVIEW ENGAGEMENT REPORT	1
FINANCIAL STATEMENTS	
Consolidated Balance Sheet	2
Consolidated Statement of Unitholders Equity	3
Consolidated Statement of Operations	4
Consolidated Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

REVIEW ENGAGEMENT REPORT

To the Audit Committee of
Gamehost Income Fund

In accordance with our engagement letter dated May 3, 2004, we have reviewed the consolidated balance sheet of Gamehost Income Fund as at March 31, 2004, the consolidated statements of operations and cash flows for the three-month period then ended, and the consolidated statement of unitholders' equity for the three month period then ended. These financial statements are the responsibility of the Gamehost Income Fund's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the audit committee of Gamehost Income Fund to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Chartered Accountants

Red Deer, Alberta
May 6, 2004

GAMEHOST INCOME FUND

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

	March 31, 2004	December 31, 2003 (Note 1)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,179,071	\$ 4,106,951
Accounts receivable (Note 3)	988,771	557,728
Current portion of note receivable	21,366	28,210
Inventories	57,855	62,154
Prepaid expenses	<u>218,377</u>	<u>65,355</u>
TOTAL CURRENT ASSETS	5,465,440	4,820,398
DUE FROM RELATED PARTIES (Note 3)	157,686	---
NOTES RECEIVABLE	77,193	77,193
PROPERTY, PLANT & EQUIPMENT	19,209,425	19,316,493
LICENSES	3,500,000	3,500,000
GOODWILL	<u>42,579,216</u>	<u>42,579,216</u>
	<u>\$ 70,988,960</u>	<u>\$ 70,293,300</u>
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 349,440	\$ 344,509
Accrued liabilities	1,141,514	803,940
Due to related parties (Note 3)	---	164,472
Unitholders distributions payable	<u>844,302</u>	<u>809,123</u>
TOTAL CURRENT LIABILITIES	2,335,256	2,122,044
CLASS B LIMITED PARTNERS' UNITS (Note 4)	<u>38,230,005</u>	<u>37,970,276</u>
	40,565,261	40,092,320
UNITHOLDERS' EQUITY	<u>30,423,699</u>	<u>30,200,980</u>
	<u>\$ 70,988,960</u>	<u>\$ 70,293,300</u>

On behalf of the Board:

David J. Will, Director

(Signed David J. Will)

Darcy J. Will, Director

(Signed Darcy J. Will)

GAMEHOST INCOME FUND

INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY (Unaudited)

	March 31, 2004	December 31, 2003 (Note 1)
BALANCE, BEGINNING OF PERIOD	\$ 30,200,980	\$ ---
ISSUED UPON EXCHANGE OF SHARES OF SERVICE		
PLUS HOSPITALITY LTD.	---	11,981,948
ISSUED PURSUANT TO OFFERING MEMORANDUM	---	20,500,000
RETURNED TO TREASURY	---	(1,440)
REORGANIZATION COSTS	---	(2,358,777)
NET INCOME	1,392,017	2,693,930
DISTRIBUTIONS TO UNITHOLDERS	<u>(1,169,298)</u>	<u>(2,614,681)</u>
BALANCE, END OF PERIOD	<u>\$ 30,423,699</u>	<u>\$ 30,200,980</u>

GAMEHOST INCOME FUND

INTERIM CONSOLIDATED STATEMENT OF OPERATIONS THREE MONTH PERIOD ENDED MARCH 31, 2004 (Unaudited)

REVENUE

Hotel revenue	\$ 923,163
Table games	1,056,676
Slot machines and other electronic games	3,001,958
Food and beverage services	934,420
Rental revenues	72,451
Other	86,847
	6,075,515

EXPENSES

Cost of goods sold	387,130
Human resources	1,264,458
Marketing and promotions	257,626
Occupancy	585,169
Operating	183,300
Corporate and general administration	126,234
	2,803,917

EARNINGS BEFORE AMORTIZATION AND INCOME

ALLOCATION TO CLASS B LIMITED PARTNERS 3,271,598

AMORTIZATION (256,244)

INCOME ALLOCATION TO CLASS B LIMITED PARTNERS (1,623,337)

NET INCOME \$ 1,392,017

PER UNIT INFORMATION:

Earnings per unit - basic \$ 0.429

GAMEHOST INCOME FUND

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	3 Months Ended March 31, 2004	7 Months Ended December 31, 2003 (Note 1)
CASH PROVIDED BY (USED FOR)		
OPERATIONS		
Net income	\$ 1,392,017	\$ 2,693,930
Add non-cash item:		
Allocation of net income to Class B Limited Partners	1,623,337	3,141,455
Amortization of property, plant & equipment	<u>256,244</u>	<u>541,574</u>
	3,271,598	6,376,959
Net changes in non-cash working capital:		
Accounts receivable	(431,043)	(557,728)
Inventories	4,299	(62,154)
Prepaid expenses	(153,022)	(65,355)
Accounts payable and accrued liabilities	<u>342,505</u>	<u>1,148,447</u>
Cash from (used for) operating activities	<u>3,034,337</u>	<u>6,840,169</u>
FINANCING		
Advances from related parties	(322,158)	164,472
Proceeds from sale of units	---	20,500,000
Reorganization costs	---	(2,358,777)
Proceeds from collection of notes receivable	6,844	---
Distributions to Class B Limited Partners	(1,344,669)	(2,613,582)
Unitholders distributions	<u>(1,153,058)</u>	<u>(2,241,155)</u>
Cash from (used for) financing activities	<u>(2,813,041)</u>	<u>13,450,958</u>
INVESTMENTS		
Purchase of goodwill and licenses	---	(7,544,990)
Purchase of property, plant & equipment	<u>(149,176)</u>	<u>(8,639,186)</u>
Cash from (used for) investment activities	<u>(149,176)</u>	<u>(16,184,176)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	72,120	4,106,951
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>4,106,951</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 4,179,071</u></u>	<u><u>\$ 4,106,951</u></u>

DISCLOSURE OF NON-CASH TRANSACTIONS (Note 1)

GAMEHOST INCOME FUND

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2004 (Unaudited)

1. SUMMARY OF PLAN OF ARRANGEMENT

Gamehost Income Fund is an unincorporated open-ended trust governed by the laws of the province of Alberta and was formed on April 9, 2003 pursuant to the Gamehost Trust Agreement. The Fund began operations on June 1, 2003.

The Fund was created to acquire specific gaming and hotel facilities formerly owned by Service Plus Hospitality Ltd., Will Inns Ltd. and Boomtown Casino Ltd. These acquisitions were completed on June 1, 2003 through a Plan of Arrangement that resulted in the previous Service Plus Hospitality Ltd. shareholders indirectly exchanging their shares for Units in the Fund or cash and Class "B" Limited Partnership units in Gamehost Limited Partnership. Will Inns Ltd. and Boomtown Casino Ltd. exchanged their specific assets for Class "B" Limited Partnership units in Gamehost Limited Partnership.

The acquisition was accounted for by the purchase method of accounting whereas the purchase price is allocated to the identifiable tangible and intangible assets and liabilities based on their fair values, and any excess of the purchase price over the fair values of the tangible and intangible assets and liabilities is allocated to goodwill and intangibles. The Fund evaluates the allocation and makes all necessary classifications for recognizing and measuring intangible assets from goodwill in accordance with Canadian generally accepted accounting principles.

A summary of transactions is as follows:

	Service Plus Hospitality Ltd.	Will Inns Ltd.	Boomtown Casino Ltd.	Total
Assets acquired:				
Working capital	\$ 3,311,000	\$ -	\$ -	\$ 3,311,000
Property, plant & equipment	9,767,784	7,400,000	500,000	17,667,784
Licenses	1,750,000	-	1,750,000	3,500,000
Goodwill	30,129,216	-	12,450,000	42,579,216
	<u>\$ 44,958,000</u>	<u>\$ 7,400,000</u>	<u>\$ 14,700,000</u>	<u>\$ 67,058,000</u>
Consideration:				
Cash	\$ 17,198,546	\$ -	\$ -	\$ 17,198,546
Gamehost Income Fund Units (Fund Units)	11,981,454	-	-	11,981,454
Class "B" Limited Partnership Units (LP Units)	15,778,000	7,400,000	14,700,000	37,878,000
	<u>\$ 44,958,000</u>	<u>\$ 7,400,000</u>	<u>\$ 14,700,000</u>	<u>\$ 67,058,000</u>

The \$42,579,216 of acquired goodwill was assigned to the Hotel and Gaming segments in the amounts of \$4,579,216 and \$38,000,000, respectively. The \$3,500,000 of licenses was assigned entirely to the Gaming segment. Of the total amount of goodwill and licenses, \$19,362,937 will be included as part of eligible capital expenditure of which 75% (\$14,522,203) will be amortized at 7% per annum for income tax purposes.

GAMEHOST INCOME FUND

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004

(Unaudited)

2. BASIS OF PREPARATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles; however, they do not include all of the disclosure requirements for annual consolidated financial statements. These interim consolidated financial statements follow the same accounting principles as were used for the consolidated financial statements for the seven months ended December 31, 2003. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the seven months ended December 31, 2003 including notes thereto.

The consolidated statement of operations do not include comparative figures as the Fund did not begin operating until June 1, 2003.

3. RELATED PARTY TRANSACTIONS

The Deerfoot Inn & Casino Inc. Joint Venture is jointly owned by Will Inns Ltd., Winners Gaming Corporation and JM Wood Investments Ltd. The Fund's 40% interest is accounted for utilizing the proportionate consolidation method. Will Inns Ltd. is controlled by Mr. David J. Will, Winners Gaming Corporation is controlled by Mr. Darcy Will, and JM Wood Investments Ltd. is controlled by Mr. Jed Wood. Mr. David Will, Mr. Darcy Will and Mr. Jed Wood are trustees of the Fund.

To this stage of the project's progress, contributions have been made in accordance with forecasted cash call assumptions. At the end of the period, amounts contributed to the Joint Venture exceed the proportionate share of actual costs incurred by \$157,686. The amounts due from related parties are unsecured, are non-interest bearing and have no fixed repayment terms.

Included in accounts payable is amounts payable to DJ Will Holdings Limited totalling \$5,355 and are subject to normal credit and payment policies. DJ Will Holdings Limited is controlled by Mr. David J. Will.

Included in accounts receivable is \$77,752 from Will Inns Ltd. and \$14,175 from Winners Gaming Corporation for insurance premiums paid by the Fund. The amounts have subsequently been paid in April 2004.

Included in corporate and general administration is \$60,000 for management services to Mr. David J. Will and Mr. Darcy J. Will as employees of Gamehost Limited Partnership. Amounts have been accrued pending approval by the board on recommendations made for their compensation by the Fund's Compensation Committee.

These transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

GAMEHOST INCOME FUND

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2004 (Unaudited)

4. CLASS B PARTNERSHIP UNITS

An unlimited number of Class B Limited Partnership Units ("LP Units") may be created and issued pursuant to the Limited Partnership Agreement, as outlined in the Plan of Arrangement.

LP Units represent a partnership interest in Gamehost Limited Partnership and are exchangeable on a one-for-one basis into Fund Units. LP Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board.

The LP Units have the attributes of a minority interest position and have been reflected in these consolidated financial statements as such.

As at March 31, 2004, there are 3,787,800 units outstanding (December 31, 2003 – 3,787,800). There were no units issued or redeemed for the three months ending March 31, 2004.

During the three months ended March 31, 2004, \$1,623,337 of income was allocated to the LP Units (December 31, 2003 - \$3,141,455) and total cash distributions declared amounted to \$1,363,608 (December 31, 2003 - \$3,049,179).

5. FUND UNITS

An unlimited number of Fund Units may be created and issued pursuant to the Trust Agreement. Fund Units represent an undivided interest in the Fund. Fund Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board.

As at March 31, 2004, 3,248,051 units are outstanding (December 31, 2003 – 3,248,051). There were no units issued or redeemed for the three months ending March 31, 2004.

As all units were issued effective June 1, 2003, the weighted average of equivalent units outstanding for the period is equal to the units issued during the period. The Fund did not have any options, warrants, rights or convertible instruments which would be potentially dilutive during the period.

GAMEHOST INCOME FUND

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2004 (Unaudited)

6. SEGMENTED INFORMATION

The Fund's operations are predominantly in the hotel accommodation and gaming industries. The Fund derives its revenues from marketing its services in Western Canada.

The hotel accommodation division includes the operations of the motor hotels and commercial real estate. The gaming division includes the operations of the casino facility. Food, beverage and entertainment functions are carried out within the casino facilities but have their own management reporting to the casino management. General Administration includes head office.

March 31, 2004

	<u>Hotel</u>	<u>Gaming</u>	<u>Food & Beverage</u>	<u>General Administration</u>	<u>Consolidated</u>
Operations					
Total revenue	\$ 1,008,264	\$ 4,122,616	\$ 934,420	\$ 10,215	\$ 6,075,515
Amortization	123,299	79,068	52,256	1,621	256,244
Corporate & General administration	-	-	-	126,234	126,234
Cost of Goods Sold	18,984	14	368,132	-	387,130
Human Resources	200,231	753,597	155,731	154,899	1,264,458
Marketing & Promotions	32,783	39,653	185,190	-	257,626
Occupancy	113,577	284,560	187,032	-	585,169
Operating	<u>57,939</u>	<u>72,395</u>	<u>52,966</u>	<u>-</u>	<u>183,300</u>
	<u>546,813</u>	<u>1,229,287</u>	<u>1,001,307</u>	<u>282,754</u>	<u>3,060,161</u>
Net Income	<u>\$ 461,451</u>	<u>\$ 2,893,329</u>	<u>(\$ 66,887)</u>	<u>(\$ 272,539)</u>	<u>3,015,354</u>
Income allocation to LP Units					<u>(1,623,337)</u>
Net income					<u>\$ 1,392,017</u>

GAMEHOST INCOME FUND

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2004

(Unaudited)

6. SEGMENTED INFORMATION (continued)

	<u>Hotel</u>	<u>Gaming</u>	<u>Food & Beverage</u>	<u>General Administration</u>	<u>Consolidated</u>
Property, Plant & Equipment (PPE) and Intangibles					
Goodwill and Licenses	\$ 4,579,216	\$ 41,500,000	\$ -	\$ -	\$ <u>46,079,216</u>
PPE at Beginning of the Period					
Working assets	\$ 9,106,915	\$ 5,141,955	\$ 3,427,970	\$ 103,882	\$ 17,780,722
Project 2 – in-progress	<u>1,142,540</u>	<u>623,204</u>	<u>311,601</u>	<u>-</u>	<u>2,077,345</u>
	<u>10,249,455</u>	<u>5,765,159</u>	<u>3,739,571</u>	<u>103,882</u>	<u>19,858,067</u>
PPE Expenditures during the Period					
Working assets	5,856	17,491	11,660	1,530	36,537
Project 2 – in-progress	<u>61,951</u>	<u>33,792</u>	<u>16,896</u>	<u>-</u>	<u>112,639</u>
	<u>67,807</u>	<u>51,283</u>	<u>28,556</u>	<u>1,530</u>	<u>149,176</u>
Total PPE	<u>\$ 10,317,262</u>	<u>\$ 5,816,442</u>	<u>\$ 3,768,127</u>	<u>\$ 105,412</u>	<u>\$ 20,007,243</u>

Project 2 – Deerfoot Inn & Casino Inc. joint venture

Total PPE -Net Book Value

Hotel	\$ 8,730,967
Gaming	4,923,156
Food and beverage	3,282,104
General administration	83,214
Projects in progress	<u>2,189,984</u>
	<u>\$ 19,209,425</u>

GAMEHOST INCOME FUND

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2004 (Unaudited)

7. INVESTMENT IN JOINT VENTURE

The Fund is invested in Deerfoot Inn & Casino Inc. (the "Joint Venture"), a hotel/convention/entertainment/gaming project in Calgary, Alberta. The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Responsibility in this joint venture. The Fund's cash contributions to date have been made on the Participating Interest Percentage. The Fund's consolidated financial statements include its Participating Interest in the assets, liabilities, revenues and expenses and net income, and cash flows resulting from operating, investing and financing activities of the joint venture, which are as follows:

Balance Sheet

Cash	\$ 26,125
Other current assets	<u>5,825</u>
Total current assets	<u>31,950</u>
Non-current assets	<u>2,189,894</u>
	<u>\$ 2,221,844</u>
Equity	<u>\$ 2,221,844</u>

Cash Flows

Operating activities	\$ (5,474)
Investing activities	(112,549)
Financing activities	<u>132,729</u>
Increase in cash	<u>14,706</u>
Beginning cash	<u>11,419</u>
Ending cash	<u>\$ 26,125</u>

8. SUBSEQUENT EVENTS

On April 20, 2004, the AGLC moved the Joint Ventures application for a traditional gaming license for their proposed development in Calgary to Step 8 of the 8 step process. At this point a license is not approved. The completed facility must meet all requirements of federal and provincial legislation as well as municipal regulations and policies. Pending satisfactory review of these requirements the AGLC will recommend to their board that a casino facility licenses be granted. As such, the Joint Venture is expediting construction of the hotel/convention/entertainment/gaming facility. Further to this, the Joint Venture Agreement stipulates that on commencement of construction an adjustment to the contributing interest percentage be made to the Joint Venture partners. As a result, \$461,000 became due to the Joint Venture from the Fund on that date.

Trustees of the Fund have appointed a compensation committee with instructions to develop a compensation plan for the management of the Fund. The compensation plan will replace a management service agreement in place for 2003. The committee will present their recommendations to the board in early 2004.