



**2006 Annual
Management Discussion & Analysis
for the twelve month period ended December 31, 2006**

Management's Discussion and Analysis for the three and twelve month periods ended December 31, 2006

This discussion should be read in conjunction with the reported consolidated financial statements for Gamehost Income Fund (the "Fund") for the twelve month period ended December 31, 2006 (the "Period") and three month period ended December 31, 2006 (the "Quarter"). Consolidated financial statements for the Period and Quarter have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

Discussion focuses on year over year comparative results for the Period and Quarter and comparison of the Quarter to results in the immediately preceding quarter. Readers are directed to management discussion and analysis contained in interim reports for specific results of previous quarters.

The Deerfoot Joint Venture, which had limited operations during 2005, has had a significant impact on financial results of the Fund over the Period. This discussion and analysis will lean towards explaining the performance of the facility in terms of operating efficiencies rather than a comparison of revenues and expenses to the prior year. Year over year comparatives relating to the Fund's other properties will be discussed when relevant.

Caution to the Reader

Quarterly figures and comparisons contained in this management discussion and analysis have not been independently audited or reviewed by the Fund's external auditors.

This management discussion and analysis may make reference to earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is a non-GAAP measure and is provided for information only. EBITDA calculations should not be relied upon as a sole measure of performance.

Distributable cash is a non-GAAP measure and its application and interpretation vary widely. References to distributable cash may be found throughout this management discussion and analysis. The reader should be aware that any measurements of distributable cash found within may not be comparable to those made in management discussion and analysis of other companies.

Results of operations for Deerfoot Inn & Casino (the "Deerfoot Joint Venture") have had a significant impact on overall operating results during the Period. The Deerfoot Joint Venture has no reasonably comparable data for 2005 as operations began on November 21, 2005 making year over year comparison of the Funds consolidated results unbalanced.

This management discussion and analysis may contain forward-looking statements. Forward-looking statements may contain words such as "anticipates", "believes", "could", "expects", "indicates", "plans" or other similar expressions that suggest future outcomes or events. Use of these statements reflect reasonable assumptions made on the basis of management's current beliefs with information known by management at the time of writing. Many factors could cause actual results to differ from the results discussed in forward-looking statements. Actual results may not be consistent with these forward-looking statements.

Disclosure Controls

Disclosure controls and procedures have been designed to provide the Manager with reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to the Manager by others within those entities, particularly during the period in which the annual filings are being prepared.

Certifying officers of the Manager have evaluated those controls and procedures and concluded that they are operating effectively. All material information relating to the Fund and its consolidated subsidiaries has been made known to the Manager during the preparation of the annual financial statements and that information has been included in the reported results for the Period.

Internal Controls

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

During the Period and most recent interim period there have been no significant changes in internal control that has materially affected, or is reasonably likely to materially affect internal control over financial reporting.

Quarterly Performance Summary

Quarterly Performance	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue	\$13,485	\$12,673	\$11,624	\$11,512	\$9,374	\$7,514	\$7,150	\$7,048
Expenses	\$7,144	\$6,486	\$6,071	\$5,930	\$5,133	\$3,270	\$3,092	\$3,163
EBITDA	\$6,341	\$6,186	\$5,553	\$5,581	\$4,241	\$4,244	\$4,059	\$3,885
EBITDA %	47.0%	48.8%	47.8%	48.5%	45.2%	56.5%	56.8%	55.1%
Net earnings	\$5,445	\$5,264	\$4,593	\$4,708	\$3,858	\$4,009	\$3,824	\$3,650
Net earnings per unit ¹	\$0.774	\$0.748	\$0.653	\$0.669	\$0.548	\$0.570	\$0.543	\$0.519

(in thousands of dollars unless stated otherwise)

¹ Basic and fully diluted

The Fund including its Participating Interest in the Deerfoot Joint Venture has produced thirteen consecutive quarters of Revenue growth. The Deerfoot Joint Venture, being a full convention facility however, has a much higher ratio of lower margin food sales to total sales as compared with the Fund's other properties. In its earliest months of operation the Deerfoot Joint Venture hotel division operated with occupancies in the 30% range, well below the established Service Plus hotel in Grande Prairie. These two factors together with generally higher operating costs in promoting a startup business result in the reduction in EBITDA margins beginning Q4 2005.

Revenues

Total Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
	49,293.6	31,085.5	58.6%	13,485.1	9,373.9	43.9%	12,673.0	6.4%

(in thousands of dollars unless stated otherwise)

All properties generated record profits for both the Period and Quarter. The Deerfoot Joint Venture began operations last year on November 21, 2005. This facility, together with the 2006 expansion of Boomtown Casino made significant contributions to the most recent revenue record for the Quarter.

Hotel Rooming Revenue

Hotel Rooming includes both guest and meeting room sales at hotels. Occupancy and Average Daily Rate ("ADR") are calculated on guest room sales only.

Hotel – Rooming Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Rooming	7,515.7	4,041.8	85.9%	2,030.4	1,176.1	72.6%	2,116.0	(4.0%)
Occupancy	79.1%	81.6%	(2.5%)	76.0%	76.3%	(0.3%)	87.7%	(11.7%)
Average Daily Rate (ADR)	\$128.66	\$103.77	24.0%	\$142.54	\$106.95	33.3%	\$130.45	9.3%

(in thousands of dollars unless stated otherwise)

The hotel segment experienced an exceptional year of steady growth, a trend we have observed for two years now. Sharp changes in the overall year over year comparisons reflect the fact that the Deerfoot Joint Venture only began operations midway through Q4 2005. Normal seasonal factors resulted in a modest decline in quarterly revenues and occupancy compared to Q3 2006.

The Grande Prairie area continues to add room capacity to meet growing demand. In Grande Prairie, Service Plus has a reputation as “home away from home” with frequent stay clientele. Familiar faces at our front desk, coupled with favourable rates will ensure we benefit from this reputation in any market conditions. Occupancy levels at Service Plus averaged just over the 90% mark during the Period, five percentage points higher than in 2005. At the same time, a number of rate increases afforded by the strong Grande Prairie market raised the ADR for the property from just under \$103 per room to just over \$120 per room an increase of 16.5% during the Period from one year earlier.

During the Period the Deerfoot Joint Venture rooted itself in the Calgary market place. Beginning the year with occupancy levels in the 30% range the facility experienced months as high as 85% to end the year with an average occupancy of 65%. The Deerfoot Joint Venture holds a unique market position in Calgary being the only hotel/convention/gaming complex and it's exposure to the largely under serviced city's far southeast. With this, management elected to establish a premiere pricing strategy rather than follow the practice of hotels with nearest proximity who often discount walk-in traffic. As a result, Deerfoot Joint Venture maintained a healthy and stable ADR in the \$145 per room range.

Table Game Revenue

Table play and revenue sharing is regulated in Alberta by the Alberta Gaming and Liquor Commission. In general terms, Drop is the total amount of money anted and bet by players at most table games. Hold is the amount won from the drop at each table. Hold as a percentage of the drop will fluctuate. The hold is shared in varying percentages between charities and the casino operator dependant on the size and location of the casino. 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 25%/75% by the charity and casino operator respectively. Financial statements of the Fund report only the net table win being the operator's portion of the hold or rake.

Table Game Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
All Others	5,774.1	4,012.3	43.9%	1,523.7	1,173.0	29.9%	1,365.3	11.6%
Poker	940.2	366.4	156.6%	276.0	115.4	139.2%	234.6	17.7%
Caribbean Stud	235.6	217.2	8.5%	55.5	53.1	4.4%	57.2	(3.1%)
	6,949.9	4,595.9	51.2%	1,855.2	1,341.5	38.3%	1,657.2	11.9%

(in thousands of dollars unless stated otherwise)

Tables (# of) *	at the end of Q4		
	2006	2005	+(-)
All Others	33.0	35.0	(2.0)
Poker	9.2	8.2	1.0
Caribbean Stud	2.4	2.4	0.0
	44.6	45.6	(1.0)

* Fractional table figures result through the proportionate consolidation of the Deerfoot Joint Venture tables.

Table drop at the Fund's northern casinos remains flat year over year. Table departments at Boomtown and Great Northern casinos operated with less than optimum staffing complements off and on throughout the Period which at times did not allow the facilities to open all available tables. A shortage of skilled dealers and high turnover persists in both markets which reduces the potential we believe exists to grow this segment of the business in the north. Hold percentages for the Period were respectable for both facilities at slightly under 16%.

The Deerfoot Joint Venture generated steady growth in table drop and produced a hold percentage just shy of 17% for the Period. Staffing the tables has been less of an issue in Calgary where there is a larger pool of experienced dealers available. Management focus is to pursue the higher limit players of which there are greater numbers of in the major urban centre of Calgary versus smaller communities in the north.

Slot Machine Revenue

In Alberta, slot machine odds are regulated by the Alberta Gaming and Liquor Commission (the "AGLC"). The revenue sharing arrangement for amounts won by the slot 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. Slot machine revenue, therefore, is determined by the above arrangements as well as the numbers of hours the machines operate and how much money is played on the machines ('Drop') during hours of operation.

Slot Machine Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Revenue	20,309.6	14,130.4	43.7%	5,238.6	4,089.7	28.1%	5,302.2	(1.2%)
Machines ¹	1,046.4	834.0	212.4	1,046.4	834.0	212.4	1,035.0	11.4

(in thousands of dollars unless stated otherwise)
¹ # of machines at the end of the Period or Quarter

Year over year results include a full year of operations for the Deerfoot Joint Venture versus only six weeks in 2005. All casino properties contributed significant slot machine revenue growth during the Period.

In March of 2006 Boomtown Casino received 193 additional machines as part of a major expansion while Great Northern Casino received an additional 4 machines the same month. A further 4 and 3 machines were added at Great Northern Casino in September and November of 2006 respectively. Both facilities are now at the current 399 maximum machine allotment as set by the Alberta Gaming and Liquor Commission for medium sized casinos. Net slot revenue for the Period grew by 17% and 21% year over year for Great Northern Casino and Boomtown Casino respectively.

Slot drop climbed steadily throughout the Period at the Deerfoot Joint Venture and by the end of the Period was up some 60% from the levels posted in January 2006. In December 2006, just prior to Christmas, an additional 21 slot machines were introduced at the facility bringing the total to 621 at the end of the Period. That same month the Deerfoot Joint Venture produced its first million dollar month with net slot revenues totaling \$1.17 million.

Food & Beverage (“F&B”) Revenue

The Fund earns F&B revenue under numerous arrangements. The Deerfoot Joint Venture is the Fund’s only property that owns and operates the entire F&B operations on premises. All other properties have individual operating arrangements that combine Fund owned and operated liquor sales with 3rd party arrangements for food and concession services. Where food operations are run by a 3rd party, the Fund earns a commission on those sales.

F&B Revenue	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Food	3,291.7	1,137.6	189.4%	1,087.8	569.4	91.1%	745.7	45.9%
Liquor	6,961.5	4,399.5	58.2%	2,098.9	1,403.7	49.5%	1,729.7	21.3%
	10,253.2	5,537.1	85.2%	3,186.8	1,973.1	61.5%	2,475.5	28.7%

(in thousands of dollars unless stated otherwise)

F&B Margin %	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Food	48.3%	22.3%	26.0%	52.8%	32.2%	20.6%	47.7%	5.1%
Liquor	76.5%	72.7%	3.8%	78.1%	73.7%	4.4%	77.0%	1.0%
Total	67.4%	62.3%	5.1%	69.5%	61.7%	7.8%	68.2%	1.3%

(in thousands of dollars unless stated otherwise)

Comparable data for 2005 includes only six weeks of operations at the Deerfoot Joint Venture. Food and beverage sales provided some impressive growth rates for the Fund during the Period. Margins improvements year over year resulted from across the board selling price increases implemented at all properties during the Period.

Great Northern Casino reported an 18% increase in F&B sales and commissions for 2006 over 2005 while Boomtown Casino registered growth of 33%. Boomtown Casino is benefiting from expanded lounge and entertainment space completed in May of 2006.

The Deerfoot Joint Venture contributes in excess of 85% of all food and concession revenues to the Funds total food sales. As a result, year over year comparatives for the Period and Quarter are far more impressive for food than liquor which contributes just 45% of all Fund liquor sales. The Deerfoot Joint Venture experienced an exceptional seasonal banquet season in the Quarter with food sales up nearly 53% over the preceding Q3 2006 results. The boost in food sales during the Quarter at Deerfoot also produced a positive effect on overall food margins compared to Q3 2006. Liquor sales were only slightly less impressive with growth of 41% from results posted in the previous quarter.

Lease and Rental Revenue

Lease and rental revenue is derived predominantly from three leases in the Strip Mall as well as lease and rental revenues generated within the casinos from 3rd party providers of on-premise food services. All three tenants at the Strip Mall are in their final renewal terms of their leases which expire in either 2008 or 2009.

Lease & Rental	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	313.3	288.4	8.6%	76.5	66.4	15.2%	83.8	(8.7%)

(in thousands of dollars unless stated otherwise)

Small revenue increases are largely the result of the recovery of higher common area costs (CAM) which form part of the lease payments for Strip Mall tenants. CAM costs are adjusted to actual each December which resulted in a net credit to lessees in 2006.

Other Revenue

Other revenue includes lottery ticket sales, movie rentals, automated teller fees, cigarette sales, ticket revenue and other miscellaneous service revenues at casinos and hotels.

Other	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	3,951.9	2,492.0	58.6%	1,097.6	727.1	51.0%	1,038.3	5.7%

(in thousands of dollars unless stated otherwise)

Contributions from ATM machines and other guest services at the Deerfoot Joint Venture account for the majority of reported other revenue gains for the Period and Quarter compared to the previous year when the property operated for just six weeks. Interest earned on higher cash balances was also notable in its positive contribution to year over year comparisons.

Expenses

Total Expenses

Total Expenses	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	29,283.1	15,745.2	86.0%	8,039.9	5,516.2	45.8%	7,408.6	8.5%
% of Revenues	59.4%	50.7%	8.8%	59.6%	58.8%	0.8%	58.5%	1.2%

(in thousands of dollars unless stated otherwise)

All expenses are higher and are predominately attributed to the operations at the Deerfoot Joint Venture. The Deerfoot Joint Venture property, Deerfoot Inn & Casino, opened November 21, 2005 but began incurring smaller pre-opening costs as early as January 2005. These costs were expensed in the month they were incurred rather than capitalized. Year over year reported results, therefore, are not indicative of true operational changes.

Human Resources

General administrative salaries and bonuses, Trustee and management fees, benefit costs, payroll taxes and other miscellaneous human resource costs are all combined under this heading.

Human Resources	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Operations	11,409.6	6,059.4	88.3%	3,100.5	2,139.4	44.9%	2,869.3	8.1%
General admin	484.1	560.0	(13.5%)	137.0	169.3	(19.1%)	140.7	(2.6%)
Trustee fees	140.6	161.5	(12.9%)	26.9	38.8	(30.6%)	41.8	(35.6%)
Management fees	799.6	356.1	124.5%	237.1	113.1	109.7%	179.1	32.4%
Total	12,833.9	7,137.0	79.8%	3,501.5	2,460.5	42.3%	3,230.8	8.4%
% of Revenues	26.0%	23.0%	3.1%	26.0%	26.2%	(0.3%)	25.5%	0.5%

(in thousands of dollars unless stated otherwise)

Overall human resource costs as a percentage of revenue have increased due to the generally higher costs of staffing the Deerfoot Joint Venture. This facilities high component of food and banquet business which is more labour intensive than other revenue streams have pushed this statistic higher for the Period in comparison to the prior year.

General administrative expenses are lower for the Period and Quarter in comparison to the prior year. For 2005, pre-opening labour costs for the Deerfoot Joint Venture were treated as general administrative rather than operations labour.

Labour costs as a percentage of revenue at Great Northern Casino was flat for the Period compared to the prior year. Following the completed expansion of the Boomtown Casino facility in the spring of 2006, staffing increments were raised accordingly. No longer classed as a minor casino by Alberta Gaming and Liquor Commission, the facility was required to add a number of staff positions that were not previously required under Alberta Gaming and Liquor Commission's Terms and Conditions for minor casino operators. Total human resources costs as a percentage of revenue climbed 2.8 percentage points at Boomtown

Casino from the average in 2005. This figure should fall back to more historical rates as the expansion gains traction. Both of these facilities made tactical adjustments to wage rates during the Period where pressure warranted.

The Deerfoot Joint Venture has made significant strides in its first year of operation. Total human resource costs as a percentage of total revenue is showing a continued downward trend indicating the facility has reached an important critical mass and efforts to optimize staffing are paying off. During the Period five to six percentage points have been shaved from the ratio of human resource cost to total revenue.

Marketing and Promotions

Marketing and promotions include all donations, sponsorships and complimentary services offered at properties in addition to sales and advertising expenses.

Marketing	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	1,540.4	812.7	89.5%	481.4	296.7	62.2%	364.9	31.9%
% of Revenues	3.1%	2.6%	0.5%	3.6%	3.2%	0.4%	2.9%	0.7%

(in thousands of dollars unless stated otherwise)

The added costs expected for the heavy promotion of the Deerfoot Joint Venture are apparent in year over year comparative figures. Meanwhile at Great Northern Casino and Service Plus hotel, both in mature market places with highly active local economies, management was able to scale back the extent of promotional activity. Marketing costs at these locations were essentially flat in dollar terms year over year resulting in lower ratios when expressed as a percentage of revenue. Promotional spending at Boomtown Casino was marginally higher in both dollars and as a percentage of revenue as management worked to reintroduce the expanded facility to local entertainment seekers following a disruptive construction period. Increased radio advertising for more frequent live entertainment during the Quarter as well as our own staff Christmas parties resulted in higher promotional spending during the Quarter versus Q3 2006.

Operating Costs

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

Operating	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	5,753.6	3,330.4	72.8%	1,632.1	1,154.7	41.3%	1,550.9	5.2%
% of Revenues	11.7%	10.7%	1.0%	12.1%	12.3%	(0.2%)	12.2%	(0.1%)

(in thousands of dollars unless stated otherwise)

Year over year comparisons of operating costs for the Period show a substantial increase in operating costs year over year for the Period and Quarter. Again, the Deerfoot Joint Venture with limited operations in 2005 accounts for the majority share of the increase.

There are a number of factors which resulted in the Period year over year increase in operating expenses

as a percentage of revenue. Boomtown Casino and Service Plus hotel each recorded a three percentage point rise in this ratio for the Period. Boomtown Casino incurred higher lease expenses on their expanded premises. The impact of these higher lease costs on the operating expense ratio will diminish as the additional capacity encourages revenue growth. A heavy program of non-annual refurbishment of carpet and beds was undertaken throughout the Service Plus hotel during the Period. Operating expenses at Great Northern Casino were in the normal range for the Period.

When we look at the operating expense ratio year over year at the Quarter or versus the previous quarter we see evidence of the success expected with improving economies of scale at the Deerfoot Joint Venture.

General and Administrative

General and administrative expenditures include professional fees, insurance, property and business taxes, corporate travel and other less significant expenses.

General & admin	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	1,829.6	1,090.0	67.9%	458.3	352.9	29.9%	463.4	(1.1%)
% of Revenues	3.7%	3.5%	0.2%	3.4%	3.8%	(0.4%)	3.7%	(0.3%)

(in thousands of dollars unless stated otherwise)

Year over year comparisons for the Period reflect a full year of operations for the Deerfoot Joint Venture. The year over year comparison for the Quarter is less dramatic as general and administrative expenses were more substantial in Q4 2005 which included the opening of the new facility. As a percentage of revenues, general and administrative expenses have begun a decline from the start of the year on the strength of revenue generation from the Deerfoot Joint Venture.

Other factors contributing to the overall increase but not related to the Deerfoot Joint Venture include property insurance. Management adjusted property coverage amounts to reflect the higher replacement costs of appreciating assets. Property taxes were also higher across the board, but dramatically at Service Plus hotel where the City of Grande Prairie assessments were up 30% over the previous year for all hotel properties in the city. Corporate travel, too, was up sharply in large part due to the expansion of the Boomtown Casino.

Amortization

Amortizations	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	2,482.5	1,088.1	128.1%	675.2	383.0	76.3%	619.4	9.0%
% of Revenues	5.0%	3.5%	1.5%	5.0%	4.1%	0.9%	4.9%	0.1%

(in thousands of dollars unless stated otherwise)

Amortization is substantially higher in 2006 over 2005 given the addition of the Deerfoot Joint Venture and a major expansion of the Boomtown Casino.

Interest

Interest is incurred on term debts held by the Deerfoot Joint Venture and Gamehost Limited Partnership.

Interest	Q4 (twelve months)			Q4 (three months)			Previous Quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Total	1,168.1	71.1	1,543.5%	220.3	70.6	211.9%	302.7	(27.2%)
% of Revenues	3.4%	0.2%	3.2%	1.6%	0.8%	0.8%	2.4%	(0.8%)

(in thousands of dollars unless stated otherwise)

During the Period a \$24 million Deerfoot Joint Venture project loan was converted to a term loan. At the same time \$2.0 million was portioned from the total term instrument for the purpose of allowing accelerated debt repayment without incurring early payment penalties. This \$2.0 million portion is available to the Deerfoot Joint Venture on a revolving basis to the extent there is outstanding principal on the aggregate of the term loan exceeding \$2.0 million. At the end of the Period the revolving portion of this debt had been paid down to zero.

The \$9.0 million Limited Partnership term loan also provides revolving terms. The balance on this loan stood at \$4.8 million at the start of the Period. By the end of Q1 2006 the full \$9.0 million had been drawn. Repayments over the remainder of the Period have reduced the outstanding balance to \$2.0 million at the end of 2006.

In 2005, interest on both of these debt instruments was largely capitalized to the Deerfoot Joint Venture development project resulting in the large year over year change in total interest expense. Repayments on these debt instruments as described in the preceding paragraphs are evident in the interest expense incurred during the Quarter versus the previous quarter.

Facilities

Capital Expenditures	Q4 (twelve months)			Q4 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Maintenance	687.4	161.7	325.1%	163.8	51.2	220.0%	210.8	(22.3%)
Expansion	1,227.6	12,889.0	(90.4%)	0.0	5,279.8	(100.0%)	0.0	0.0%
	1,915.0	13,050.7	(85.3%)	163.8	5,331.0	(96.9%)	210.8	(22.3%)

(in thousands of dollars unless stated otherwise)

During the Period the Fund completed the expansion of Boomtown Casino. The value of the project over 2005 and 2006 totaled \$2.47 million. Capital expansion spending during the Period also included some trailing construction expenses on the Deerfoot Joint Venture project.

Capital maintenance spending during the Period included upgrades to security systems and the lounge at the Great Northern Casino as well as a new keyless entry system for the Service Plus hotel. An additional \$60 thousand was spent on new computer and cash counting equipment.

Financial Condition

Liquidity and Capital Resources

Assets totaled \$91.7 million for the Fund at the end of the Period, a decrease of \$0.7 million from December 31, 2005. Cash and cash equivalents totaled \$8.1 million, down \$473 thousand for the Period.

The Limited Partnership has a \$9,000,000 revolving term loan with the Canadian Western Bank (“CWB”). The loan matures on May 15, 2007. The year opened with a \$4.8 million balance on this loan. The remaining \$5.2 million was advanced in January 2006. Over the remaining course of the Period surplus cash was applied against the loan to reduce the annual interest expense. At December 31, 2006, there was \$2.0 million outstanding. Terms of the loan include a floating interest rate at 1.5% above the CWB Prime Lending Rate. The CWB Prime Lending Rate at December 31, 2006 was 6.0% per annum. The remaining available \$7.0 million was drawn on the term loan early in the New Year to pay a special distribution declared for December 2006 and payable on January 15, 2007. There are no specific debt covenants attached to this loan.

The Fund has a 40% Participating Interest Responsibility for debt of the Deerfoot Joint Venture. The Deerfoot Joint Venture has \$20,992,094 remaining on a long-term debt instrument. The loan is secured by the Deerfoot Joint Venture’s land and building. Interest on the loan floats at 1.0% above the CWB Prime Lending Rate. The CWB Prime Lending Rate at December 31, 2006 was 6.0% per annum. The loan is structured in two segments. The outstanding balance of the first segment, the demand non-revolving portion, is \$20,992,094. The outstanding balance of the second segment, the demand revolving portion, is \$nil. The Fund’s portion of the total of both segments of this loan is 40% or \$8,397,157. The term loan has the following performance covenants:

1. Maximum debt to equity ratio of 3.00:1.00
2. Minimum debt service coverage of 1.25:1.00

The Fund is required by the Alberta Gaming and Liquor Commission to maintain a Minimum Continuing Net Working Capital Position (“MCNWCP”) to support its gaming operations. Available credit remaining on the \$9 million credit facility and the \$2 million revolving portion of the Deerfoot Joint Venture debt is considered working capital for the purpose of calculating MCNWCP. The Fund regularly runs a large surplus to this MCNWCP.

Distributable Cash

The Fund’s mandate is to make consistent monthly cash payments to unit holders based on management’s projections of the year’s distributable cash. Distributable cash is defined as net income determined in accordance with Canadian GAAP, subject to certain adjustments as set out in the Declaration of Trust, including:

- a) adding the following items: amortization on property, plant & equipment, future income tax expense and losses on dispositions of assets; and
- b) Deducting the following items: future income tax credits, gains on dispositions of assets and capital maintenance expenditures.

Other adjustments may be made to distributable cash as determined by a majority of the Trustees in their discretion. It is the intention of the Fund trustees to distribute sufficient income from the Fund so that the Fund will not have any liability for tax under Part I of the Income Tax Act.

The Fund announced monthly distributions of \$0.12 per unit for the months of January, February and March during the Period. Beginning the April distribution period Trustees approved a \$0.03 per unit or 25% increase in the regular monthly distribution. For the distribution periods April through December 2006 the Fund declared distributions of \$0.15 per unit. In addition, on December 18, 2006, the Fund declared a special year end distribution of \$1.07 per unit. Total distributions declared for the Period were \$2.78 per unit, 37% higher than \$2.03 distributed in 2005. Declared distributions are paid on or about the 15th of the month following declaration.

Summary of Distributable Cash	Q4 (twelve months)		Q4 (three months)		previous quarter
	2006	2005	2006	2005	Q3 2006
Net earnings for the Period	\$ 20,010,489	\$ 15,340,337	\$ 5,445,272	\$ 3,857,739	\$ 5,264,344
Add:					
Amortization of property, plant and equipment	2,482,508	1,088,115	675,165	383,014	619,448
Cash generated	\$ 22,492,997	\$ 16,428,452	\$ 6,120,437	\$ 4,240,753	\$ 5,883,792
Cash generated/unit	\$ 3.197	\$ 2.335	\$ 0.870	\$ 0.603	\$ 0.836
Distributions declared	\$ 19,559,666	\$ 14,282,778	\$ 10,694,494	\$ 6,684,058	\$ 3,166,133
Distributions declared/unit	\$ 2.780	\$ 2.030	\$ 1.520	\$ 0.950	\$ 0.450
Payout ratio	87.0%	86.9%	174.7%	157.6%	53.8%
Cash generated in excess of distributions	\$ 2,933,331	\$ 2,145,674	(\$ 4,574,057)	(\$ 2,443,305)	\$ 2,717,659
Cash generated in excess of distributions/unit	\$ 0.417	\$ 0.305	(\$ 0.650)	(\$ 0.347)	\$ 0.386
Less:					
Capital expenditures from operating earnings	1,915,048	161,742	163,832	51,245	210,782
Debt principal payments ¹	894,873	-	147,526		97,572
Cash surplus for the Period	\$ 123,405	\$ 1,983,932	(\$ 4,885,415)	(\$ 2,494,550)	\$ 2,409,305
Cash surplus for the Period/unit	\$ 0.018	\$ 0.282	(\$ 0.694)	(\$ 0.355)	\$ 0.342

¹ excludes debt reductions on revolving loans

Business Risks and Outlook

Economic Outlook

Softening in the price of oil and natural gas in the later stages of 2006 and into 2007 has resulted in some retreat in the magnitude of the energy industry capital programs for 2007. Indications are 2007 will still be a record year for drilling activity. This moderation in the outlook for the oil industry is somewhat welcome in that it could temper what has generally been felt as overheated activity in 2006 for all business sectors. Much of the anticipated energy pull-back will take place in Southeastern Alberta which would free up resources for deployment in the North. The Fund's wholly owned properties are all located in market hubs in northern communities with advantaged access to the spin-off benefits of an active energy industry.

Population Growth

Alberta is currently experiencing the largest population growth in the country largely due to inter-provincial migration. In Calgary alone an estimated 17,000 new residents arrive monthly and new arrivals in northern communities is no less impressive. Alberta, with the lowest unemployment rates in Canada, is attracting workers from across the country as well as internationally. Even at current employee migration rates many jobs covering the gamut of skill and pay rates remain unfilled. This population growth in turn continues to support organic growth at the Funds properties.

Non-smoking

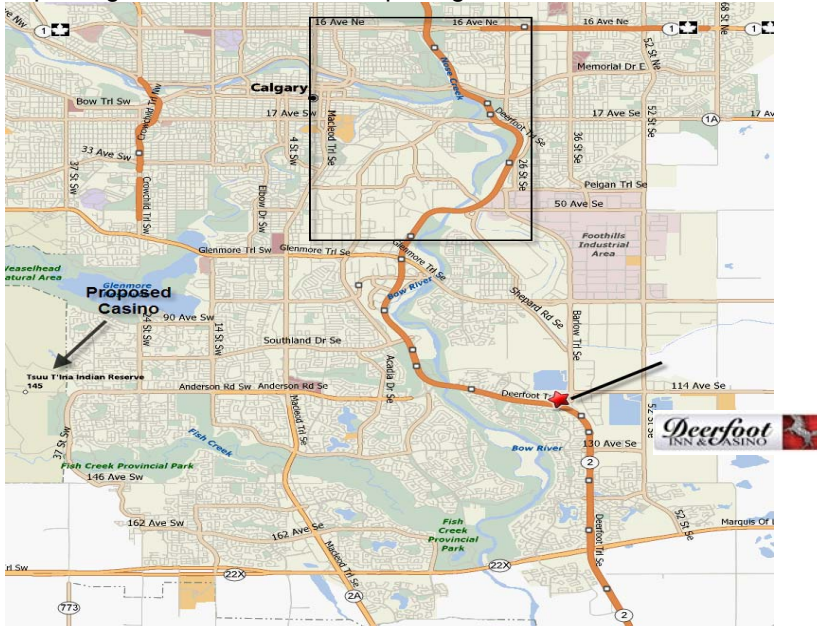
The City of Calgary's new non-smoking bylaw came into effect on January 1, 2007. Casinos, bingos and bars that had invested in segregated smoking rooms, however, were granted a reprieve from the non-smoking bylaw to January 1, 2008. Casinos in other jurisdictions that have already made the transition to a non-smoking environment have typically experienced a 15% drop in patronage at the initial stage with a recovery to normal within three to twelve months. While this dip is inevitable come January 2008 for the Deerfoot Joint Venture, there is in the short-term an opportunity to attract new visitors looking for establishments that still allow smoking. In the longer term, there is opportunity to attract an entirely new group of patrons who have avoided gaming establishments because of smoking.

Government

As we have learned, recently governing party and governmental policy changes produce risk. The Conservative government's announced "Tax Fairness Plan" on October 31, 2006 produced a dramatic fall-out in the income trust sector. The announced changes would see income trust earnings taxed at the trust level prior to distribution to unitholders. A four year transition period for existing trusts would delay the new ruling to the beginning of 2011. Furthermore, during the transition period, limitations would be placed on growth of individual trusts. The plan has not yet been passed by an act of parliament. So there is still a level of uncertainty as to the final outcome of the plan and ultimate impact on the trust sector.

Competition

There are currently seven additional casino applications for the province of Alberta proceeding through the Alberta Gaming and Liquor Commission's eight step licensing process. In the opinion of Management, only the Tsuu T'ina First Nation development is likely to have any competitive impact on the Fund. The Tsuu T'ina casino has advanced to the final eighth step in the AGLC licensing process. This new casino is expecting a mid summer 2007 opening.



The Tsuu T'ina site is located approximately fourteen kilometers (14kms) or sixteen (16) minutes directly west of our Deerfoot Joint Venture casino. The distance is significant enough given our experience of community based drawing areas. However, being on First Nations land the Tsuu T'ina casino will not be subject to the City of Calgary smoking restrictions when they come into effect for casinos. This may give the new casino a marginal advantage over all other casinos in the city. An area outlined by the black square in the map above indicates the relative locations of the remaining five other casinos in Calgary.

Evergreen Park Racing Entertainment Centre located 3 kilometres south of Grande Prairie now operates 99 slot machines. This facility is likely to have an eroding effect on the growth potential of Great Northern Casino.

An expanded Chances Gaming Entertainment centre in Dawson Creek BC, located 130 kilometers or 90 minutes NW of Grande Prairie now operates 150 slot machines and caters to Dawson Creek area residents that may otherwise have made the trip to Grande Prairie. The City of Ft. St. John west of Dawson Creek, recently issued a \$16 million building permit for a hotel, conference and gaming centre. The proposal includes 150 slot machines. These two BC facilities may have a more detrimental impact on Grande Prairie. Dawson Creek and Ft. St. John residents are drawn to Grande Prairie for its casino and big box retail offerings. But, trips from BC may be less frequent now that their gaming needs can be met locally.

Ticket In Ticket Out (TITO)

The Alberta Gaming and Liquor Commission have begun the rollout of TITO technology to all casinos in the province. TITO reduces the need for cash on the gaming floor and the frequent conversions of coin to cash on player winnings. Experience in other jurisdictions indicates implementation of this technology dramatically reduces labour costs associated with handling cash and moderately increases the total amount of cash played resulting in higher net win to the operator. Initial schedules have implementation for the Deerfoot Joint Venture by the second half of 2007 and the Fund's northern properties by the end of 2007.

New Opportunities

Executive management is vigilant in seeking and exploring all potential high return investments that would fit within the Funds hospitality/gaming mandate.

February 2, 2007