



**2006 Second Quarter
Interim Management Discussion and Analysis
for the six month period ended June 30, 2006**

Organizational Structure

The Fund

Gamehost Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 9, 2003 (the "Fund Agreement").

The Trust

Gamehost Trust (the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 10, 2003 (the "Trust Agreement"). All of the issued and outstanding units of the Trust are owned by the Fund. The trustees of the Trust are the trustees of the Fund.

The Limited Partnership

Gamehost Limited Partnership (the "Limited Partnership") is a limited partnership formed under the laws of the Province of Alberta. The Limited Partnership owns the assets and business operations of the Fund. These assets were acquired from Service Plus Hospitality Ltd., Will Inns Ltd. and Boomtown Casino Ltd. pursuant to a Plan of Arrangement (the "Plan of Arrangement") under the Business Corporations Act (Alberta) (the "ABCA"). The Limited Partnership began operations of the Fund effective June 1, 2003.

The Manager

The general partner of the Limited Partnership is Gamehost Management Inc. (the "Manager"). Pursuant to a management agreement (the "Management Agreement") between the Fund and the Manager, the administration and management of the Fund was delegated to the Manager.

Units

An unlimited number of Fund Units and Special Voting Units may be created and issued pursuant to the Gamehost Trust Agreement. The Limited Partnership is authorized to issue unlimited numbers of both Class A units ("Fund Units") and Class B Limited Partnership units ("B Units"). Fund Units are held by, and can only be issued to, the Trust. All B Units are held by the remaining partners of the Limited Partnership. There are 3,591,051 Fund Units and 3,444,800 B Units of the Limited Partnership issued and outstanding. B Units are exchangeable, on a one-for-one basis, for Fund Units. Holders of Fund Units and holders of B Units have equal voting rights.

Overview

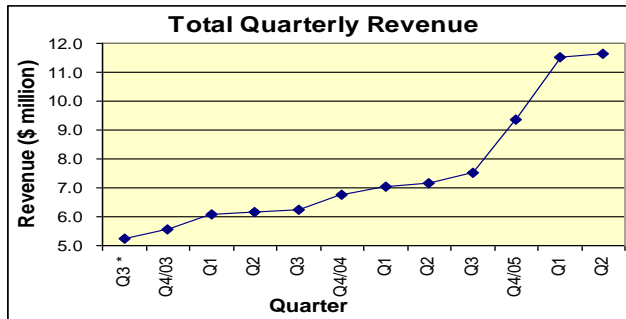
The Fund's activities are currently confined to the Province of Alberta, Canada. Operations include the Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Fund owns a retail complex (the "Strip Mall") that leases space to separate liquor store, pub and full service restaurant operations. The Fund is also a 40% joint venture partner in Deerfoot Inn & Casino Inc., (the "Deerfoot Joint Venture"), that opened Deerfoot Inn & Casino in Calgary on November 21, 2005.

Management believes in a combined entertainment and hospitality model. The 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 intent and practice of the Fund to distribute taxable income of the Fund to unitholders by way of cash distributions on a monthly basis.

To our Unitholders

The Trustees and management of Gamehost Income Fund are pleased to present interim results for the six months ended June, 2006 (the “Period”) and three months ended June, 2006 (the “Quarter”).



The Fund produced revenue growth for the eleventh consecutive reporting period during the Quarter. Management is pleased with results. Q2 2006 revenues mirror an established pattern of flattened revenues following stronger Q4 and Q1 revenue growth. A healthy contribution from Deerfoot Inn & Casino is credited with favourable results for the Quarter.

Operating Results

Revenues during the Quarter of \$11.6 million marginally exceeded Q1 2006 results of \$11.5 million. Compared with Q2 2005 revenues of \$7.15 million, the Fund produced year over year revenue growth of 63%. Same Store revenues during the Quarter of \$8.3 million were marginally lower than the \$8.5 million produced in Q1 2006 but 16% higher than the \$7.15 million in quarterly revenue one year earlier. EBITDA of \$5.56 million for the Quarter was similar to Q1 2006 EBITDA of \$5.58 million. As a result, quarterly EBITDA % fell slightly from 48.5% to 47.8%. With results from the Deerfoot Joint Venture removed, Same Store operations for the Quarter reported EBITDA margins of 54.9% down 1.7% from the previous quarter and down 1.9% from Q2 2005. The Fund generated net earnings per unit of 65.3¢ during the Quarter down marginally from the previous quarter results of 66.9¢, but up 11.0¢ from Q2 2005. On a Same Store basis, net earnings per unit of 58.7¢ were 4.8¢ lower than Q1 2006 but up 4.4¢ from Q2 2005.

Operations

In familiar fashion, activity began leveling off during the Quarter following an exceptional Q1 2006. Strong revenue gains through the Quarter at the Deerfoot Joint Venture were significant enough to lift overall revenues to record levels. The additional slot machines at Boomtown Casino, in operation for their first full quarter, inched that facility also into record revenue territory while Quarter revenues at our Grande Prairie properties slipped into an expected springtime lull based on historical results. Performance from the newly expanded Boomtown Casino produced similar initial results to a 2003 expansion of Great Northern Casino. Boomtown Casino is progressing through a ‘feeling out’ period by customers as they get used to the new surroundings and additional slot machines at the casino.

Overall revenues were up 11.2% at the Deerfoot Joint Venture with revenue gains made in most revenue categories. This revenue growth resulted in a quarterly increase of 4.5% in EBITDA margins expressed as a percentage of revenue. Occupancy levels continue to climb at the Deerfoot Joint Venture reaching 70% in the month of June 2006 on strong convention bookings.

Recruiting and retaining a quality labour force continues to be the greatest challenge facing our management. A new benefit plan implemented in January of 2006 for all line staff has assisted in this effort. While some labour shortages have had a short term favourable impact on our labour statistics it is not desirable for longer term. Wage rates are up moderately from the previous quarter as management has had to respond to local market conditions with tactical wage adjustments for specific line worker disciplines.

Escalating property values, population growth and infrastructure pressures in the municipalities where we operate have resulted in some escalation in property taxes among other areas of expense. The benefits to our business from a strong and optimistic Alberta economy do not come free of charge.

Surplus Cash

For the Quarter, the Fund generated \$0.737 per unit in cash earnings compared to \$0.577 per unit over the same quarter in 2005 for an additional 16.0¢ per unit or 28% increase year over year. The Fund paid out 61% of all cash generated during the Quarter and for the Period has paid out 54% of all cash generated. Regular monthly per unit distributions of 15.0¢ were made throughout the Quarter. In July, Trustees, declared a 15.0¢ distribution for the month of July 2006 payable in August 2006. Management intends to use a portion of surplus cash generated to complete refurbishment projects on our Grande Prairie properties during Q3 2006.

Coming Up

With July nearly behind us we are encouraged with the growth from our expansion projects. The Deerfoot Joint Venture wound up a very busy July that included Calgary's famous Exhibition and Stampede. The additional slot machines and expanded live entertainment and beverage areas at Boomtown showed their potential in July.

Both Grande Prairie properties are undergoing some refurbishment to maintain their polished look. With continued strength in the demand for lodging in Northern Alberta, a planned rate increase at Service Plus Inns & Suites will be implemented in August. This marks the third price increase in less than twelve months at our northern hotel property. This decision follows actions already taken by our competitors.

Summertime

As our management and staff fit in some well deserved vacation time this summer we hope you are as well. We'll rest just long enough to rejuvenate and return with renewed focus and energy. Then we will continue to do what we do best, provide entertainment value second to none to our valued customers and a healthy return for you our faithful unitholders.

Enjoy your summer!

July 30, 2006

Sincerely,



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



Darcy J. Will
Vice President
Gamehost Management Inc.

Management's Discussion and Analysis for the six month period ended June 30, 2006

This discussion should be read in conjunction with the reported financial results for the six month period ended June 30, 2006 (the "Period") and three month period ended June 30, 2006 (the "Quarter"). Consolidated interim 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 comparison of the Quarter to results in the immediately preceding quarter. Readers are directed to management discussion and analysis contained in earlier reports for specific results of previous quarters.

Caution to the Reader

Period, Quarter and comparative figures 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 within industry. 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.

This management discussion and analysis uses the term "Same Store" for the purpose of providing additional and separate comparative results which exclude the impact of the Fund's investment in Deerfoot Inn & Casino. Results from the start of operations of Deerfoot Inn & Casino (the "Deerfoot Joint Venture") have had a significant impact on over all operating results during the Period and Quarter for which there is no reasonably comparable data from the prior year.

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 issuer 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.

Quarterly Performance Summary

Quarterly Performance	2006		2005				2004	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	\$11,624	\$11,512	\$9,374	\$7,514	\$7,150	\$7,048	\$6,745	\$6,251
Expenses	\$6,071	\$5,930	\$5,063	\$3,270	\$3,092	\$3,163	\$3,216	\$2,732
EBITDA	\$5,553	\$5,581	\$4,311	\$4,244	\$4,059	\$3,885	\$3,529	\$3,519
EBITDA %	47.8%	48.5%	46.0%	56.5%	56.8%	55.1%	52.3%	56.3%
Net earnings	\$4,593	\$4,708	\$3,858	\$4,009	\$3,824	\$3,650	\$3,268	\$3,263
earnings per unit ¹	\$0.653	\$0.669	\$0.548	\$0.570	\$0.543	\$0.519	\$0.464	\$0.464

Adjusted to same store	2006		2005	
	Q2	Q1	Q4	Q3
Total revenue	\$8,319	\$8,541	\$7,984	\$7,514
Expenses	\$3,749	\$3,703	\$3,542	\$3,162
EBITDA	\$4,571	\$4,838	\$4,443	\$4,352
EBITDA %	54.9%	56.6%	55.6%	57.9%
Net earnings	\$4,129	\$4,467	\$4,180	\$4,117
earnings per unit ¹	\$0.587	\$0.635	\$0.594	\$0.585

(in thousands of dollars unless stated otherwise)

¹ Basic and fully diluted

Strong revenue growth at the Deerfoot Joint Venture buoyed up slightly softer results at Same Store properties during the Quarter.

Historically, Same Store properties in Grande Prairie and Ft. McMurray have experienced slower growth in Q2 following strong growth Q1. Wage increases implemented during the Quarter for some specific labour disciplines that are in high demand and higher debt servicing costs joined to pull net earnings lower.

Revenues

Total Revenue

For the eleventh consecutive quarter the Fund achieved overall revenue growth. Year over year gains are dramatic due to the contribution made by the Fund's interest in the Deerfoot Joint Venture which began operations November 21, 2005.

Total Revenue	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
	23,135.5	14,198.0	62.9%	11,624.0	7,150.5	62.6%	11,511.6	1.0%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
	16,859.8	14,198.0	18.7%	8,319.1	7,150.5	16.3%	8,540.7	(2.6%)

(in thousands of dollars unless stated otherwise)

Hotel Rooming Revenue

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

Hotel - Rooming	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Rooming	3,369.3	1,853.7	81.8%	1,719.2	859.8	100.0%	1,650.0	4.2%
Occupancy	76.2%	81.6%	(5.4%)	76.4%	76.3%	0.1%	75.9%	0.5%
Average Rate	\$120.74	\$102.41	17.9%	\$121.90	\$101.97	19.5%	\$119.56	2.0%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Rooming	2,304.9	1,853.7	24.3%	1,124.2	859.8	30.8%	1,180.7	(4.8%)
Occupancy	91.2%	81.6%	9.6%	87.8%	76.3%	11.5%	94.6%	(6.8%)
Average Rate	\$112.78	\$102.41	10.1%	\$113.65	\$101.97	11.5%	\$111.95	1.5%

(in thousands of dollars unless stated otherwise)

Revenues and occupancy rates at the Deerfoot Joint Venture finished on a high note in June exceeding 70%. The City of Calgary hosted the annual Oilman's Show during June which boosted occupancy levels across the city. Room rates at Deerfoot Inn & Casino are on average \$25/night higher than our Service Plus property which contributes largely to the year over year increase in ADR.

Occupancy levels dropped marginally during the Quarter at Service Plus compared to the high water mark established during Q1 2006. Service Plus is the only hotel property included in Same Store results. Q2 occupancies typically fall from highs established in preceding Q1's at our Service Plus hotel. However, the 8% reduction experienced during the Quarter was far less than the 17% and 13% reductions recorded over the same time frame in each of the prior two years. The sale of higher priced suites at Service Plus resulted in a higher ADR for the Quarter compared to Q1 2006.

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 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 Games	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
All Others	2,885.1	1,911.9	50.9%	1,304.5	908.4	43.6%	1,580.6	(17.5%)
Poker	429.5	183.3	134.3%	222.9	85.4	161.0%	206.6	7.9%
Caribbean Stud	122.9	115.6	6.3%	61.0	57.1	6.8%	61.9	(1.6%)
	3,437.5	2,210.8	55.5%	1,588.4	1,050.9	51.1%	1,849.1	(14.1%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
All Others	1,916.1	1,911.9	0.2%	795.5	908.4	(12.4%)	1,120.6	(29.0%)
Poker	173.4	183.3	(5.4%)	89.3	85.4	4.6%	84.0	6.3%
Caribbean Stud	103.6	115.6	(10.4%)	50.6	57.1	(11.4%)	53.0	(4.6%)
	2,193.1	2,210.8	(0.8%)	935.4	1,050.9	(11.0%)	1,257.7	(25.6%)

(in thousands of dollars unless stated otherwise)

The addition of the Deerfoot Joint Venture to net table operating results has produced strong year over year gains. Deerfoot table drop was excellent during the Quarter up from Q1 2006 by 5%. The higher table drop softened the results of a lower rake percentage. The rake percentage will fluctuate quarter to quarter, but generally falls into line year over year with average hold percentages.

Net table revenue at Same Store properties was down for the Quarter. Compared to Q1 2006, Same Store table drops are down approximately 15% while net hold % was lower by 2%. The combined effect of these statistical measures produced a sharp drop in table revenues for the Quarter compared to Q1 2006. Three factors explain the quarterly drop in Same Store revenue generated by tables. Table activity is typically flat or lower in Q2 vs. Q1. As well, following the completion of the expansion at Boomtown Casino at the end of March 2006, an additional 10% of the table rake is now shared with the charity groups. The expansion included an increase to 399 from 206 slot machines at Boomtown, and as concession for the additional slot machines the Alberta Gaming and Liquor Commission no longer treats the casino for revenue sharing purposes as a 'minor casino'. The change in status at Boomtown Casino means the facility now retains only 65% of the table rake where previously it retained 75%. The reduction to net table revenue is more than made up by an increase in slot revenue. And lastly, there continues to be a shortage of dealers generally and specifically experienced dealers. This problem is wide spread across the industry in Alberta. The problem is perhaps more acute in Ft. McMurray and Grande Prairie where we have the only Casinos in town. The local economies provide an over abundance of other employment opportunities for staff.

On a positive note, we saw a sharp turn around in the dealer situation towards the end of the Quarter at Boomtown. Much higher retention rates from our training sessions added fourteen dealers there with additional training sessions on slate for early August. Great Northern Casino has increased the frequency of their training sessions in an effort to mitigate their own shortages

Tables (# of)	at the end of Q2			at the end of Q2			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
All Others	34.6	25.0	9.6	34.6	25.0	9.6	34.6	0.0
Poker	9.2	5.0	4.2	9.2	5.0	4.2	9.2	0.0
Caribbean Stud	2.4	2.0	0.4	2.4	2.0	0.4	2.4	0.0
	46.2	32.0	14.2	46.2	32.0	14.2	46.2	0.0

Adjusted to Same Store	at the end of Q2			at the end of Q2			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
All Others	23.0	25.0	(2.0)	23.0	25.0	(2.0)	23.0	0.0
Poker	6.0	5.0	1.0	6.0	5.0	1.0	6.0	0.0
Caribbean Stud	2.0	2.0	0.0	2.0	2.0	0.0	2.0	0.0
	31.0	32.0	(1.0)	31.0	32.0	(1.0)	31.0	0.0

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. Our slot machine revenue, therefore, is determined by the above arrangements as well as the number of hours the machines operate and how busy they are during hours of operation.

Slot Machine	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Revenue	9,768.7	6469.8	51.0%	5,046.1	3390.6	48.8%	4,722.6	6.9%
Machines ¹	1,031	593	438	1,031	593	438	1,031	-

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Revenue	8,022.1	6469.8	24.0%	4,107.9	3390.6	21.2%	3,914.2	4.9%
Machines ¹	791	593	198	791	593	198	791.0	-

(in thousands of dollars unless stated otherwise)

¹ At the end of the Period or Quarter

Net slot win at the Deerfoot Joint Venture during the Quarter improved 16% from Q1 2006.

Net slot win at our Same Store properties also showed remarkable growth. Both Great Northern and Boomtown Casinos posted record slot revenue for the Quarter. The additional 193 slot machines added during the expansion of Boomtown at the tail end of March 2006 produced moderate gains. The expansion, which doubled floor area and dramatically changed the layout of the facility, appears to be producing a delayed reaction from customers similar to the reaction we experienced in 2003 at our Great Northern Casino. In 2003, a smaller scale expansion of our Great Northern Casino included an additional 100 slot machines. Boomtown patrons are slowly embracing the changes as we are seeing a steady rise in cash played and the machine win per hour since the new machines were installed.

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. Each of our Same Store properties have individual operating arrangements that combine Fund owned and operated liquor sales with 3rd party arrangements for food and concession services.

F&B Revenue	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Food & mix	1,458.1	371.5	292.5%	729.6	177.2	311.7%	728.5	0.2%
Liquor	3,132.9	1,984.0	57.9%	1,528.3	988.9	54.5%	1,604.6	(4.8%)
	4,591.0	2,355.5	94.9%	2,257.9	1,166.1	93.6%	2,333.1	(3.2%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Food & mix	458.5	371.5	23.4%	218.9	177.2	23.5%	239.6	(8.6%)
Liquor	2,394.2	1,984.0	20.7%	1,177.8	988.9	19.1%	1,216.4	(3.2%)
	2,852.7	2,355.5	21.1%	1,396.7	1,166.1	19.8%	1,456.0	(4.1%)

(in thousands of dollars unless stated otherwise)

Deerfoot Joint Venture F&B revenues were similar to Q1 2006 but with fewer banquet bookings.

Our Same Store properties report healthy gains year over year with a moderate decline during the Quarter versus Q1 2006. Sales declines at Great Northern Casino following an exceptionally strong Q1 2006 were partially offset by increases at Boomtown Casino during the Quarter.

F&B Margins	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Food & mix	45.2%	11.3%	33.9%	47.4%	11.4%	36.0%	42.9%	4.5%
Liquor	75.1%	72.1%	3.0%	75.4%	72.1%	3.3%	74.7%	0.7%
Total	65.6%	62.6%	3.0%	66.4%	62.9%	3.5%	64.8%	0.8%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Food & mix	11.4%	11.3%	0.1%	12.2%	11.4%	0.8%	10.8%	1.4%
Liquor	74.2%	72.1%	2.1%	74.8%	72.1%	2.7%	73.7%	1.1%
Total	64.1%	62.6%	1.5%	65.0%	62.9%	2.1%	63.3%	0.8%

(in thousands of dollars unless stated otherwise)

Food sales at full margin at the Deerfoot Joint Venture result in the large margin increases year over year for food. Lower product costs in Calgary at the Deerfoot Joint Venture also help to improve margin percentages for liquor when compared year over year. Improved cost management at the Deerfoot Joint Venture has helped to improve total margins in the Quarter as compared to Q1 2006.

For Same Store properties, liquor price increases worked to improve quarterly margin percentages year over year and versus the previous quarter.

Lease and Rental Revenue

Lease and rental revenue includes three leases in the Strip Mall in Grande Prairie as well as lease and rental revenues generated within the casinos from 3rd party providers of on premises food services. Small amounts of audio visual equipment rentals for meeting rooms are also included

Lease & Rental	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	153.1	148.5	3.1%	76.3	73.6	3.8%	76.8	(0.6%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	151.7	148.5	2.1%	75.8	73.6	2.9%	75.9	(0.2%)

(in thousands of dollars unless stated otherwise)

Other Revenue

Other revenue includes automated teller machine (“ATM”) fees, lottery ticket sales, movie rentals, cigarette sales, ticket revenue, interest revenue and other miscellaneous service revenues at casinos and hotels.

Other	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	1,815.9	1,159.7	56.6%	936.0	609.4	53.6%	880.0	6.4%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	1,335.4	1,159.7	15.2%	679.1	609.4	11.4%	656.3	3.5%

(in thousands of dollars unless stated otherwise)

Contributions from ATM machines at all facilities account for the majority of reported other revenue gains measured year over year while ticket sales contributed significantly to the increases this Quarter versus Q1 2006. The Deerfoot Joint Venture is experimenting with some ‘bigger name’ entertainment lineups to gauge the spin off gaming response. Ticket prices were set higher accordingly.

Ticket sales at Same Store properties and interest revenue earned by the Fund’s cash balances account for reported increases Q2 2006 versus Q1 2006.

Expenses

Total Expenses

Total Expenses	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	13,834.7	6,724.4	105.7%	7,031.2	3,326.8	111.4%	6,803.4	3.3%
% of Revenues	59.8%	47.4%	12.4%	60.5%	46.5%	14.0%	59.1%	1.4%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	8,264.2	6,724.4	22.9%	4,190.2	3,326.8	26.0%	4,074.0	2.9%
% of Revenues	49.0%	47.4%	1.7%	50.4%	46.5%	3.8%	47.7%	2.7%

(in thousands of dollars unless stated otherwise)

The Deerfoot Joint Venture accounts for the bulk of the increase in year over year figures. The Deerfoot Joint Venture is expected to operate at a higher expense to sales ratio given its food and banquet operations and its early stage of establishing a market presence. While management is concentrated on revenue growth, reductions to labour costs have also been an item of success. Total year to date expenses as a percentage of revenue have been reduced by 3% from Q1 2006 to the current Period.

The expense ratio for Same Store operations rose year over year and from the previous quarter. Lower total revenues and higher lease and wage costs are the predominant factors.

Human Resources

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

Human Resources	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Operations	5,439.8	2,642.2	105.9%	2,786.2	1,322.9	110.6%	2,653.6	5.0%
General admin	206.4	197.5	4.5%	108.3	93.7	15.6%	98.1	10.4%
Trustee fees	72.0	90.8	(20.7%)	33.3	51.8	(35.8%)	38.8	(14.2%)
Management fees	383.3	150.0	155.6%	219.2	75.0	192.3%	164.1	33.6%
Total	6,101.6	3,080.5	98.1%	3,147.0	1,543.4	103.9%	2,954.5	6.5%
% of Revenues	26.4%	21.7%	4.7%	27.1%	21.6%	5.5%	25.7%	1.4%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	3,611.9	3,080.5	17.2%	1,858.4	1,543.4	20.4%	1,753.5	6.0%
% of Revenues	21.4%	21.7%	(0.3%)	22.3%	21.6%	0.8%	20.5%	1.8%

(in thousands of dollars unless stated otherwise)

With no prior year data for the Deerfoot Joint Venture to compare to, expense ratios report sharp increases. During the Quarter, management at the Deerfoot Joint Venture have been focused on more efficient staff scheduling. This resulted in a reduction in the properties salary and wages expense ratio by a full percentage point year to date Q2 2006 versus Q1 2006. Management fees for the Deerfoot Joint

Venture, which are based on EBITDA and sales, have risen along with improvements in total performance.

Tactical wage adjustments have resulted in an increase in the labor/sales ratio for Same Store properties in the Quarter versus Q1 2006. Period labour/sales ratios remain relatively flat to prior year results as a result of good revenue growth.

Marketing and Promotions

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

Marketing	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	694.1	329.2	110.9%	397.3	198.4	100.3%	296.8	33.9%
% of Revenues	3.0%	2.3%	0.7%	3.4%	2.8%	0.6%	2.6%	0.8%

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	341.5	329.2	3.7%	198.2	198.4	(0.1%)	143.2	38.4%
% of Revenues	2.0%	2.3%	(0.3%)	2.4%	2.8%	(0.4%)	1.7%	0.7%

(in thousands of dollars unless stated otherwise)

Marketing efforts since opening the Deerfoot Joint Venture property are reviewed regularly. While there is still some experimentation taking place, management has a much better feel for the local market and areas for targeting. Significant marketing efforts will continue at the Deerfoot Joint Venture.

Strong demand at our firmly established Same Store properties has allowed management to scale back some marketing expenses. Promotion efforts are limited to mostly targeted markets where we have experienced strong response in the past and special entertainment offerings.

Operating Costs

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

Operating	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	2,570.6	1,412.2	82.0%	1,254.6	686.6	82.7%	1,316.1	(4.7%)
% of Revenues	11.1%	9.9%	1.2%	10.8%	9.6%	1.2%	11.4%	(0.6%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	1,747.0	1,412.2	23.7%	854.1	686.6	24.4%	892.9	(4.4%)
% of Revenues	10.4%	9.9%	0.4%	10.3%	9.6%	0.7%	10.5%	(0.2%)

(in thousands of dollars unless stated otherwise)

Fiscal 2005 figures do include some Deerfoot Joint Venture pre-opening costs that were expensed to operations. Those costs, however, were far less than those incurred with actual operations. An increase

in the operating expense ratio for the Fund reflects the generally higher operating costs for the Deerfoot facility.

Year over year Same Store operating costs also report a rise in the expense ratio. Boomtown Casino will take some time to recoup the generally higher costs of operating a larger facility. A significant portion of the increased cost at Boomtown is due to the renegotiated and expanded lease. In addition to the lease now covering double the floor space the invoicing formula used by our landlord is no longer weighted to the later half of the lease period, but now results in a more even monthly billing pattern. Higher electricity rates in general were also a factor.

General and Administrative

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

General & admin	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	907.9	495.8	83.1%	438.8	203.4	115.8%	469.1	(6.5%)
% of Revenues	3.9%	3.5%	0.4%	3.8%	2.8%	0.9%	4.1%	(0.3%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	672.7	495.8	35.7%	319.5	203.4	57.1%	353.1	(9.5%)
% of Revenues	4.0%	3.5%	0.5%	3.8%	2.8%	1.0%	4.1%	(0.3%)

(in thousands of dollars unless stated otherwise)

For the most part, General and administrative expenses have risen proportionately to sales.

Higher audit fees and legal fees relating to preparation of 2005 year end compliance reporting explain the Period increase in year over year comparisons.

Depreciation and Amortization

Depreciation and amortization based on working assets at scheduled depreciation rates is expensed evenly over the fiscal year for reporting purposes.

Amortizations	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	1,187.9	470.1	152.7%	594.4	235.1	152.9%	593.5	0.2%
% of Revenues	5.1%	3.3%	1.8%	5.1%	3.3%	1.8%	5.2%	(0.0%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	488.0	470.1	3.8%	244.0	235.1	3.8%	244.0	0.0%
% of Revenues	2.9%	3.3%	(0.4%)	2.9%	3.3%	(0.4%)	2.9%	0.1%

(in thousands of dollars unless stated otherwise)

Year over year increases in total amortizations are explained by the addition of the Deerfoot Joint Venture assets to the depreciation pool effective December 2005.

The Boomtown expansion project was completed in mid April. Depreciation on this project will begin next quarter. The Fund's policy is to initiate depreciation at the start of the quarter immediately following when an asset is put into production.

Interest

Interest includes amounts paid or accrued as expense on debt instruments for the purpose of financing ongoing operations and/or capital projects.

Interest	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Total	645.1	0.0	100.0%	365.4	0.0	100.0%	279.7	30.7%
% of Revenues	3.8%	0.0%	3.8%	3.1%	0.0%	3.1%	2.4%	0.7%

(in thousands of dollars unless stated otherwise)

Total interest expense includes the Fund's portion of amounts on a \$24.0 million term loan secured by the Deerfoot Joint Venture assets. In addition to the Deerfoot Joint Venture loan, the Fund also incurs interest on a \$9.0 million term loan taken for the purpose of financing its Contributing Interest in the capital costs of the Deerfoot construction project. The Fund provided a several guarantee on a \$1.85 million line of credit taken by DJ Will Holdings Limited for the purpose of providing operating capital to the Joint Venture. Each of these debt instruments was not fully drawn till the end of Q1 2006.

Facilities

Capital Expenditures	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Maintenance	139.2	58.5	138.0%	122.9	7.8	1476.1%	16.3	654.2%
Expansion	1,347.2	4,832.1	(78.9%)	478.4	2,774.9	-84.0%	868.8	(44.9%)
	1,486.4	4,890.6	(76.3%)	601.3	2,782.7	-79.6%	885.1	(32.1%)

Adjusted to Same Store	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q1 2006	+(-)
Maintenance	139.2	58.5	137.9%	122.9	7.8	1475.3%	16.3	654.0%
Expansion	1,333.1	85.3	1275.9%	643.8	43.2	1018.5%	689.4	(6.6%)
	1,472.4	143.8	812.7%	766.7	51.0	1088.3%	705.7	8.6%

(in thousands of dollars unless stated otherwise)

Capital expansion spending during the Period is predominantly related to the expansion project at Boomtown Casino. Costs for the completed Boomtown expansion total \$2.7 million approximately \$500 thousand over our original estimates due scope changes made in progress.

Capital maintenance spending includes \$118 thousand which is part of the cost of two refurbishing projects started during the Quarter, one at Service Plus and the other at Great Northern Casino. Total cost of the two projects is estimated to be \$500 thousand of which a portion of each will be eligible as capital expense.

Financial Condition

Liquidity and Capital Resources

Fund assets totaled \$94.2 million at the end of the Period, an increase of \$1.8 million from the start of the year. Cash and cash equivalents increased \$1.0 million during the Period even after increasing cash distributions to unit holders and paying back in excess of \$2.0 million in debt.

Negotiations to convert a \$9.0 million term financing instrument with Canadian Western Bank (“CWB”) to a revolving line for the remaining period of the loan to maturity were successful. During the Quarter the Fund paid back \$1.0 million on this debt instrument. The loan remains secured by the Fund’s casino and hotel assets in Grande Prairie. Interest on this revolving term loan floats at 1.5% above the CWB prime lending rate. The loan will mature in May of 2007.

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.

The Deerfoot Joint Venture used a \$24.0 million loan facility from CWB to finance construction of the joint venture project. The loan was converted to a term loan at March 31, 2006 bearing interest at 1.0% above the CWB prime rate. The Deerfoot Joint Venture began making combined principle and interest payments in March 2006. The term loan is secured by the Deerfoot Joint Venture’s land and building. The Fund is responsible for a 40% portion of this loan.

The Fund, through Gamehost Limited Partnership provided a guarantee to Royal Bank of Canada (“RBC”) for its share, 54.42%, of a \$1.85 million line of credit taken by DJ Will Holdings Limited. The guarantee represents the Fund’s Contributing Interest Responsibility for additional Assessment Notices issued to the joint venturers by the Deerfoot Joint Venture. At the end of the prior quarter the line was fully drawn. During the Quarter the debt was retired and the line dissolved with no further responsibility by the Fund.

Distributable Cash

The Fund’s mandate is to make consistent monthly cash payments to unitholders 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.

Gamehost Income Fund paid monthly distributions of \$0.15 per unit for each month during the Quarter. Trustees also declared a regular monthly distribution of \$0.15 per unit for the month of July 2006. Declared monthly distributions are paid on or about the 15th of the month following declaration.

Summary of Distributable Cash	Q2 (six months)		Q2 (three months)		previous quarter
	2006	2005	2006	2005	Q1 2006
Net earnings for the Period	\$ 9,300,874	\$ 7,473,532	\$ 4,592,738	\$ 3,823,626	\$ 4,708,136
Add:					
Amortization of property, plant and equipment	1,187,895	470,066	594,416	235,032	593,479
Cash generated	\$ 10,488,769	\$ 7,943,598	\$ 5,187,154	\$ 4,058,658	\$ 5,301,615
Cash generated/unit	\$ 1.491	\$ 1.129	\$ 0.737	\$ 0.577	\$ 0.754
Distributions declared	\$ 5,699,039	\$ 5,065,813	\$ 3,166,133	\$ 2,532,906	\$ 2,532,906
Distributions declared/unit	\$ 0.810	\$ 0.720	\$ 0.450	\$ 0.360	\$ 0.360
Payout ratio	54.3%	63.8%	61.0%	62.4%	47.8%
Cash generated in excess of distributions	\$ 4,789,729	\$ 2,877,785	\$ 2,021,021	\$ 1,525,752	\$ 2,768,708
Cash generated in excess of distributions/unit	\$ 0.681	\$ 0.409	\$ 0.287	\$ 0.217	\$ 0.394
Less:					
Capital maintenance expenditures	139,234	143,775	122,934	49,818	16,300
Debt principal payments	2,132,140	-	2,099,740	-	32,400
Cash surplus for the Period	\$ 2,518,355	\$ 2,734,010	(\$ 201,653)	\$ 1,475,934	\$ 2,720,008
Cash surplus for the Period/unit	\$ 0.358	\$ 0.389	(\$ 0.029)	\$ 0.210	\$ 0.387

Business Risks and Outlook

The Alberta economy is projected to out pace growth in the rest of the country for the balance of 2006 and into 2007 and 2008. Gamehost properties are very well positioned to benefit from factors created by the strong economy such as increased business travel, immigration to the province and growth in disposable income.

The Boomtown Casino expansion is poised to begin delivering an extended period of growth. Oil sands development in the region continues to garner world wide attention and financial investment. The local region of Ft. McMurray will continue to grow at an accelerated rate as a result.

The City of Calgary which had scheduled January 1, 2008 as the implementation date for a new smoking bylaw recently amended the bylaw. Early implementation, due to public pressure, will now see the bylaw become effective one year earlier on January 1, 2007. The bylaw will require the Deerfoot Joint Venture along with all other Calgary business establishments to become smoke free. Based on the City of Edmonton's experience, we know implementation of this bylaw will result in a short term down turn in business.

Same Store results for Q3 have historically been relatively flat to Q2 results. However, with the addition of Deerfoot Joint Venture revenue contributions and our expanded facilities at Boomtown Casino we anticipate better than historical results.

The Deerfoot Joint Venture had a very strong July on the back of the Calgary Exhibition and Stampede. Management at the Deerfoot Joint Venture are gaining greater insight into the Calgary marketplace each month which will translate into more visitor traffic and ultimately greater profitability.

The additional capacity of Boomtown Casino from the recent expansion sets the stage for an extended period of growth as we capitalize on the growing energy sector investment in the area.

Executive management continues to explore all growth opportunities that present themselves. Investments will be evaluated for their fit with our management philosophy and core areas of expertise as well as their potential for return to investors.

August 3, 2006