



**First Quarter  
Financial Statements  
for the three month period ended March 31, 2007**

## **Notice of No Auditor Review**

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The accompanying unaudited consolidated interim financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles. Management accepts sole responsibility for the material correctness of reported results.

Readers are cautioned that these financial statements have not been independently audited or reviewed by the Fund's external auditors.

Readers should also understand that these unaudited consolidated interim financial statements should be read in conjunction with the Fund's audited consolidated financial statements for the year ended December 31, 2006.

## Interim Consolidated Balance Sheets

*(Unaudited)*

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,835,581	\$ 8,055,044
Accounts receivable	948,386	1,208,560
Current portion of Notes Receivable	29,202	28,645
Inventories	247,930	253,360
Prepaid expenses	193,762	321,962
	11,254,861	9,867,571
Notes receivable	51,293	58,820
Property, plant & equipment	35,170,485	35,676,659
Licenses	3,500,000	3,500,000
Goodwill	42,579,216	42,579,216
	\$ 92,555,855	\$ 91,682,266
<b>Liabilities and unit holder equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,203,792	\$ 2,224,290
Term loan(s) (Notes 5 and 9)	16,244,162	10,397,157
Due to related parties (Notes 6 and 9)	42,465	135,451
Unit holder distributions payable	1,407,170	8,583,738
	19,897,589	21,340,636
Class B limited partnership units	36,717,553	35,583,320
	56,615,142	56,923,956
Unit holders' equity	35,940,713	34,758,310
	\$ 92,555,855	\$ 91,682,266

**See accompanying notes to consolidated financial statements.**

## Interim Consolidated Statements of Unit Holders' Equity

*(Unaudited)*

	three months ended March 31	
	2007	2006
Balance at the beginning of the period	\$ 34,758,310	\$ 34,528,213
Net income	3,157,481	2,403,001
Distributions to unit holders	<u>(1,975,078)</u>	<u>(1,292,778)</u>
Balance at the end of the period	<u>\$ 35,940,713</u>	<u>\$ 35,638,436</u>

See accompanying notes to consolidated financial statements.

## Interim Consolidated Statements of Operations

*(Unaudited)*

	<b>three months ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Revenue		
Hotel - rooming	\$ 2,237,296	\$ 1,650,038
Table games	2,083,808	1,849,130
Slot machines	5,485,784	4,722,573
Food & beverage services	3,079,031	2,333,080
Lease and rental	79,659	76,764
Other	1,117,697	879,976
	<u>14,083,275</u>	<u>11,511,561</u>
Expenses		
Cost of goods sold	1,015,767	893,735
Human resources	3,529,000	2,954,547
Marketing and promotions	464,041	296,817
Operating	1,521,766	1,316,091
Corporate and general administration	548,420	469,070
	<u>7,078,994</u>	<u>5,930,260</u>
Earnings before amortization, interest and income allocation to Class B Limited Partners	7,004,281	5,581,301
Amortization	553,700	593,479
Interest charges	264,212	279,686
Income allocation to Class B Limited Partners	<u>3,028,888</u>	<u>2,305,135</u>
Net income	<u>\$ 3,157,481</u>	<u>\$ 2,403,001</u>
Net income per unit *		
Weighted average and fully diluted	<u>\$ 0.879</u>	<u>\$ 0.669</u>

### See accompanying notes to financial statements

\* Based on Net income before Income allocation to Class B Limited Partners against total units (all classes) issued and outstanding.

## Interim Consolidated Statements of Cash Flows

(Unaudited)

	three months ended March 31	
	2007	2006
Cash provided by (used for) operations		
Net income	\$ 3,157,481	\$ 2,403,001
Add non-cash items:		
Allocation of net income to class B limited partners	3,028,888	2,305,135
Amortization of property, plant & equipment	553,700	593,479
	<u>6,740,069</u>	<u>5,301,615</u>
Net changes in non-cash working capital:		
Accounts receivable	260,174	83,179
Inventories	5,430	(19,634)
Prepaid expenses	128,200	4,122
Accounts payable and accrued liabilities	(20,498)	(1,402,030)
	<u>7,113,375</u>	<u>3,967,252</u>
Financing		
Advances to/from related parties	(92,986)	1,041,169
Term loans advances (payments)	5,847,005	4,373,395
Proceeds from collection of notes receivable	6,970	6,472
Distributions to Class B Limited Partners	(5,408,336)	(3,272,560)
Unit holder distributions	(5,637,950)	(3,411,498)
	<u>(5,285,297)</u>	<u>(1,263,022)</u>
Investments		
Purchase of property, plant & equipment	(47,541)	(550,739)
Increase in cash and cash equivalents	1,780,537	2,153,491
Opening cash and cash equivalents	<u>8,055,044</u>	<u>8,528,002</u>
Closing cash and cash equivalents	<u>\$ 9,835,581</u>	<u>\$ 10,681,493</u>
Supplemental cash flow information:		
Interest paid and recorded as expense	\$ 264,212	\$ 279,686

## Notes to Consolidated Financial Statements

three month period ended March 31, 2007  
(Unaudited)

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### 1. Organization Structure and Nature of the Operations

#### 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").

#### 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.

#### 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.

#### 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 Fund Agreement. The Limited Partnership is authorized to issue unlimited numbers of both Class A units ("A Units") and Class B Limited Partnership units ("B Units"). The A 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 A 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.

### 2. Nature of Operations

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 Service Plus, 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") in Calgary.

## Notes to Consolidated Financial Statements

three month period ended March 31, 2007  
(Unaudited)

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### 3. Basis of Preparation

The interim consolidated financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

Interim consolidated financial results include the activities of the Fund, the Trust, the Limited Partnership with all its operating divisions and the Fund's proportionate share of the activities of the Deerfoot Joint Venture.

### 4. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year method of presentation.

### 5. Term Loan

The Fund has a \$9.0 million revolving term loan with Canadian Western Bank ("CWB") during the Period. The loan has an outstanding balance of \$8.0 million (December 31, 2006 - \$2.0 million) at the end of the Period. Terms of the loan include a floating interest rate at 1.5% above CWB prime. This rate was 7.0% at the end of the Period (December 31, 2006 – 7.0%). The repayment schedule allows for interest only payments to maturity of the loan in May, 2007. Security for the loan includes;

- A promissory note
- General security agreement for first charge on Service Plus, Great Northern Casino and the Strip Mall.
- Demand collateral mortgage first charge in the amount of \$9,000,000
- Assignment of rents and leases
- Assignment of all risk casualty and liability insurance

### 6. Related Party Transactions

Related party transactions are measured at the exchange amount which is the amounts agreed to by the related parties. Related party transactions are non-interest bearing with no specific terms of repayments.

- a) During the Period, the Fund entered into related party transactions with several companies controlled by David Will and/or Darcy Will. David Will and Darcy Will are trustees of the Fund. Together, David Will and Darcy Will also exercise control over the Fund with direct ownership or control of 45.1% of the outstanding units of all unit classes. Transactions include the following:
  - Incurred by the Fund for management services in the amount of \$135,000 (2006 - \$114,000);
  - Incurred by the Fund for aircraft and other rentals in the amount of \$43,160 (2006 - \$52,988);
  - Reimbursement by the Fund for expenses incurred on behalf of the Fund in the amount of \$29,433 (2006 - \$48,246);
  - Incurred by the Fund for distributions on Class B Partnership units owned by these companies in the amount of \$1,687,290 (2006 - \$1,104,408).

## Notes to Consolidated Financial Statements

three month period ended March 31, 2007  
(Unaudited)

### 6. Related Party Transactions (cont.)

- Amounts which are unpaid at March 31 include the following:
  - \$613,560 (2006 - \$368,136) in distributions payable;
  - \$21,472 (2006 - \$nil) included in due to related parties.
- b) During the Period, the Fund also incurred expenses to other trustees or companies controlled by other trustees for consulting and trustee services in the amount of \$31,500 (2006 - \$109,986). Of these amounts, \$25,855 (2006 - \$nil) are included in due to related parties at March 31, 2007.
- c) The Fund's 40% proportionate share of the Deerfoot Joint Venture's related party transactions included in these financial statements are summarized separately in Note 8.

### 7. Commitments

#### Management Agreement

The Fund has a management agreement with Gamehost Management Inc. for management services provided to the Fund. The agreement provides for monthly management fees owing to Gamehost Management Inc. based on a percentage of EBITDA of the Fund.

### 8. Distributions to Unit Holders

Declared distributions totaled \$3,869,718 for the Period (2006 - \$2,532,906). Total declared distributions include one regular monthly distributions of \$0.15 per unit in January, 2007 before trustees approved a 33% increase in regular monthly distributions to \$0.20 per unit. A \$0.20 per unit distribution was declared for each of February and March 2007. Subsequent to the end of the Period a \$0.20 per unit cash distribution was declared for April 2007.

#### **2007 Distribution Summary**

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-07	31-Jan-07	15-Feb-07	\$0.15
February	16-Feb-07	28-Feb-07	15-Mar-07	\$0.20
March	12-Mar-07	31-Mar-07	16-Apr-07	\$0.20
April	17-Apr-07	30-Apr-07	15-May-07	\$0.20

### 9. Investment in the Deerfoot Joint Venture

The Fund has a 40% Participating Interest and a 47.75% Project Contributing Interest in Deerfoot Inn & Casino Inc., a Joint Venture, which constructed and opened Deerfoot Inn & Casino in Calgary, Alberta.

The Fund is severally liable for all obligations of the Deerfoot Joint Venture in proportion to its Participating Interest or Contributing Responsibility as the case may be. All Deerfoot Joint Venture partners are contingently liable for obligations of the Deerfoot Joint Venture in situations where other Deerfoot Joint Venture partners are in default as defined by the Deerfoot Joint Venture Agreement. All of the assets of

**Notes to Consolidated Financial Statements**  
**three month period ended March 31, 2007**  
**(Unaudited)**

**9. Investment in the Deerfoot Joint Venture (cont.)**

the Deerfoot Joint Venture are available for the purpose of satisfying any such obligation. No provision for any contingent amount payable has been accrued to these financial statements.

The Fund's interim consolidated financial statements include its Participating interest in the assets, liabilities, revenues and expenses and net income and cash flows resulting from operating, financing and investing activities of the Joint Venture. The following statements report the Fund's 40% proportionate share of the Deerfoot Joint Venture.

**Deerfoot Joint Venture (Gamehost Participating Interest)**  
**Balance Sheets**  
**(Unaudited)**

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,113,971	\$ 2,623,245
Accounts receivable	292,691	350,336
Inventories	124,605	124,168
Prepaid expenses	89,500	120,915
	<u>3,620,767</u>	<u>3,218,664</u>
Property, plant & equipment	15,573,144	15,793,322
	<u>\$ 19,193,911</u>	<u>\$ 19,011,986</u>
<b>Liabilities and unitholder equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 857,929	\$ 899,505
Term loan	8,244,162	8,397,157
Due to related parties	-	33,082
	<u>9,102,091</u>	<u>9,329,744</u>
Equity	10,091,820	9,682,242
	<u>\$ 19,193,911</u>	<u>\$ 19,011,986</u>

**Notes to Consolidated Financial Statements**  
**three month period ended March 31, 2007**  
**(Unaudited)**

**9. Investment in the Deerfoot Joint Venture (cont.)**

**Deerfoot Joint Venture (Gamehost Participating Interest)**  
**Statements of Operations and Cash Flow**

**(Unaudited)**

	<b>three months ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Revenue		
Hotel - rooming	\$ 805,169	\$ 469,371
Table games	866,549	591,425
Slot machines	1,200,001	808,411
Food & beverage services	1,227,534	877,086
Lease and rental	840	840
Other	398,614	223,708
	<u>4,498,707</u>	<u>2,970,841</u>
Expenses		
Cost of goods sold	387,133	333,535
Human resources	1,423,912	1,201,032
Marketing and promotions	237,558	153,577
Operating	428,099	423,169
General and administration	159,807	115,931
	<u>2,636,509</u>	<u>2,227,244</u>
Earnings before interest and amortization	1,862,198	743,597
Interest	135,004	152,692
Amortization	<u>237,616</u>	<u>349,465</u>
Income (Loss)	<u>\$ 1,489,578</u>	<u>\$ 241,440</u>
Cash Flows		
Operating activities	\$ 1,741,160	(\$ 212,435)
Financing activities	(1,232,996)	1,136,938
Investing activities	<u>(17,438)</u>	<u>9,952</u>
Increase in cash and cash equivalents	490,727	934,455
Opening cash and cash equivalents	<u>2,623,245</u>	<u>2,403,991</u>
Closing cash and cash equivalents	<u>\$ 3,113,971</u>	<u>\$ 3,338,446</u>

## Notes to Consolidated Financial Statements

three month period ended March 31, 2007  
(Unaudited)

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### 9. Investment in the Deerfoot Joint Venture (cont.)

#### Term Loan

A project loan, taken by the Deerfoot Joint Venture, for the original construction of the facility was amended to a term loan in September 2006 and contains two segments:

- Segment (1) of the loan stipulates demand non-revolving terms in the principal amount of \$21,599,252.
- Segment (2) of the loan stipulates demand revolving terms in the principal amount of \$2,000,000.

Interest on both segments is at prime plus 1.0% above the Canadian Western Bank prime lending rate. The effective annual interest rate was 7.0% at March 31, 2006 (2006 – 6.5%).

Amortization of the loan is 15 years, regardless of prepayment and re-advance of Segment (2). Blended monthly payments are \$206,000. The bank has the right to adjust the monthly installments to reflect changes in Prime.

At March 31, 2007, the balance of Segment (1) was \$20,610,404 and Segment (2), the revolving portion of the term loan, had been reduced to \$nil.

The Fund has recorded their proportionate share of the debt in these financial statements.

#### Land Purchase

The joint venturers have signed an offer to purchase land in Calgary, Alberta for \$1,050,000 for use as a parking lot. Prior to the offer to purchase, the joint venturers signed a five year operating lease for the same piece of land. The term of the lease is from September 1, 2004 to August 31, 2009 at \$7,000 per month. The lease expires when the land becomes rezoned and the purchase closes. This is expected to be finalized Q2 2007.

The Fund's share of the commitment would be \$420,000 being 40% of the land purchase and \$2,800 per month being 40% of the monthly lease while in effect.

#### Management Agreement

The Joint Venture has a management agreement with 1016312 Alberta Ltd. 1016312 Alberta Ltd.'s shareholders are David Will and Darcy Will, who are also shareholders of the venturers of the Joint Venture and are Trustee's of the Fund. The management agreement stipulates that 1016312 Alberta Ltd. is entitled to a percentage of the gross revenues plus a percentage of any EBITDA of the Joint Venture. For the Period ending March 31, 2007, \$268,161 (2006 - \$125,402) was paid or accrued as management fees.

The Funds has recorded its 40% proportionate share at \$107,265 (2005 - \$50,121) of which \$41,987 (2006 - \$37,353) is part of the accounts payable and accrued liability balance reported on these consolidated interim financial statements.

## Notes to Consolidated Financial Statements

three month period ended March 31, 2007  
(Unaudited)

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### 9. Investment in the Deerfoot Joint Venture (cont.)

#### Related party transactions

During the year, the Joint Venture entered into transactions with related parties. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions are non-interest bearing with no specific terms of repayments. The Fund's 40% proportionate share of related party transactions are summarized as follows:

- a) During the year, the Deerfoot Joint Venture entered into related party transactions with several companies controlled by David Will and/or Darcy Will. David Will and Darcy Will are joint venture partners of the Deerfoot Joint Venture. Together, David Will and Darcy Will also exercise control over the Deerfoot Joint Venture with direct ownership or control of 90% of the Deerfoot Joint Venture. Transactions include the following:
- Payment by the Deerfoot Joint Venture for management services in the amount of \$107,264 (2006 - \$50,121)
  - Payment by the Deerfoot Joint Venture for aircraft and other rentals in the amount of \$nil (2006 - \$1,716);
  - Reimbursement by the Deerfoot Joint Venture for expenses incurred on behalf of the Deerfoot Joint Venture in the amount of \$38,955 (2006 - \$24,600);
  - Payment by the Deerfoot Joint Venture of cash advances in the amount of \$550,800 (2006 - \$nil).
  - Amounts which are unpaid at December 31 include the following:
    - \$7,082 (2006 - \$nil) included in accounts payable and accrued liabilities; and
    - \$nil (2006 - \$19,512) included in due to related parties.

### 10. 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 segment includes the operations of Service Plus, the Strip Mall and the Funds proportionate share of the Deerfoot Joint Venture's hotel operations. The gaming segment includes the operations of Great Northern Casino, Boomtown Casino and the Funds proportionate share of the Deerfoot Joint Venture's gaming operations. The food and beverage segment includes food, beverage and entertainment activity generated by all properties. Property overhead costs are allocated arbitrarily.

General Administration includes administration of the Fund, the Trust and the Limited Partnership.

**Notes to Consolidated Financial Statements**  
 three month period ended March 31, 2007  
 (Unaudited)

**10. Segmented Information (cont.)**

	Q1 (three months)		
	2007	2006	+(-)
<b>Revenue</b>			
Tables	2,084	1,849	12.7%
Slots	5,486	4,723	16.2%
Other	959	783	22.4%
<b>Gaming</b>	<b>8,528</b>	<b>7,355</b>	<b>16.0%</b>
Hotel	2,443	1,790	36.5%
Food and beverage	3,079	2,333	32.0%
Other	33	34	(4.4%)
<b>Total</b>	<b>14,083</b>	<b>11,512</b>	<b>22.3%</b>
<b>Expenses</b>			
Gaming	2,605	2,129	22.3%
Hotel	1,436	1,263	13.7%
Food and beverage	2,475	2,091	18.4%
Other	564	447	26.0%
<b>Total</b>	<b>7,079</b>	<b>5,930</b>	<b>19.4%</b>
<b>EBITDA</b>			
Gaming	5,923	5,225	13.4%
Hotel	1,008	527	91.4%
Food and beverage	604	242	149.2%
Other	(531)	(413)	28.6%
<b>Total</b>	<b>7,004</b>	<b>5,581</b>	<b>25.5%</b>
<b>EBITDA</b>	<b>7,004</b>	<b>5,581</b>	<b>25.5%</b>
Interest	264	280	100.0%
Amortizations	554	593	(6.7%)
<b>Net earnings</b>	<b>6,186</b>	<b>4,708</b>	<b>31.4%</b>

(in thousands of dollars unless stated otherwise)

**Notes to Consolidated Financial Statements**  
 three month period ended March 31, 2007  
 (Unaudited)

**10. Segmented Information (cont.)**

Long-lived Assets		
	March 31, 2007	December 31, 2006
<b>Hotel</b>		
Goodwill and licenses	4,579	4,579
Property, plant & equipment	16,862	16,855
Work-in-progress	-	-
	21,441	21,434
<b>Casino</b>		
Goodwill and licenses	41,500	41,500
Property, plant & equipment	16,433	16,395
Work-in-progress	-	-
	57,933	56,078
<b>Food &amp; Beverage</b>		
Property, plant & equipment	7,405	7,402
Work-in-progress	-	-
	7,405	7,402
<b>General Administration</b>		
Property, plant & equipment	165	166
Work-in-progress	-	-
	165	166
<b>Total</b>		
Goodwill and licenses	46,079	46,079
Property, plant & equipment	40,865	40,817
Work-in-progress	-	-
	86,944	86,896

Long-lived Assets at NBV <sup>1</sup>		
	March 31, 2007	December 31, 2006
Hotel	19,000	19,195
Casino	55,202	56,460
Food & Beverage	7,048	7,092
General Administration	-	9
Work-in-progress	-	-
	81,250	82,756

(in thousands of dollars unless stated otherwise)

<sup>1</sup> NBV (Net Book Value)