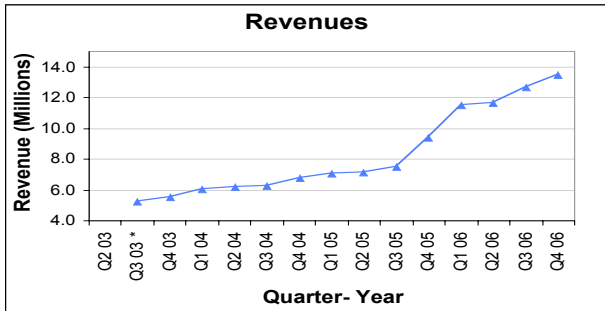




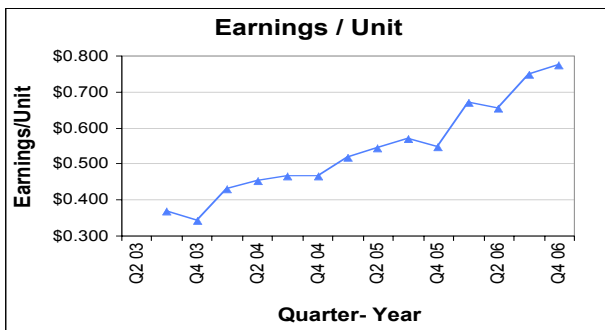
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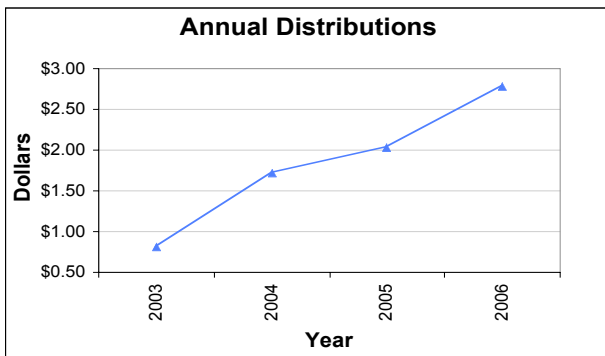
Highlights



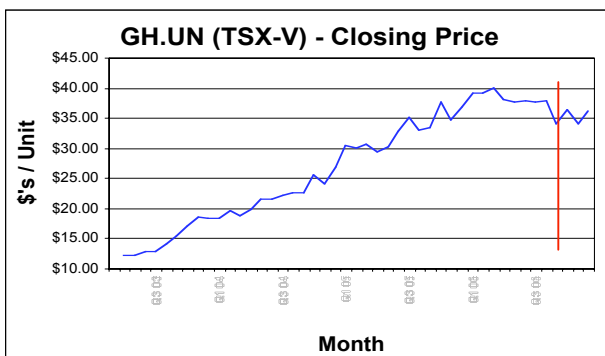
Thirteen straight quarters of increased revenues. All assets contribute to annual growth.



Earnings / Unit continue to grow and remain the highest in their peer group.



Continued distribution growth implies value at every investment entry point.



Government "Tax Fairness Plan" announcement puts blemish on Capital growth.

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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 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.

Overview

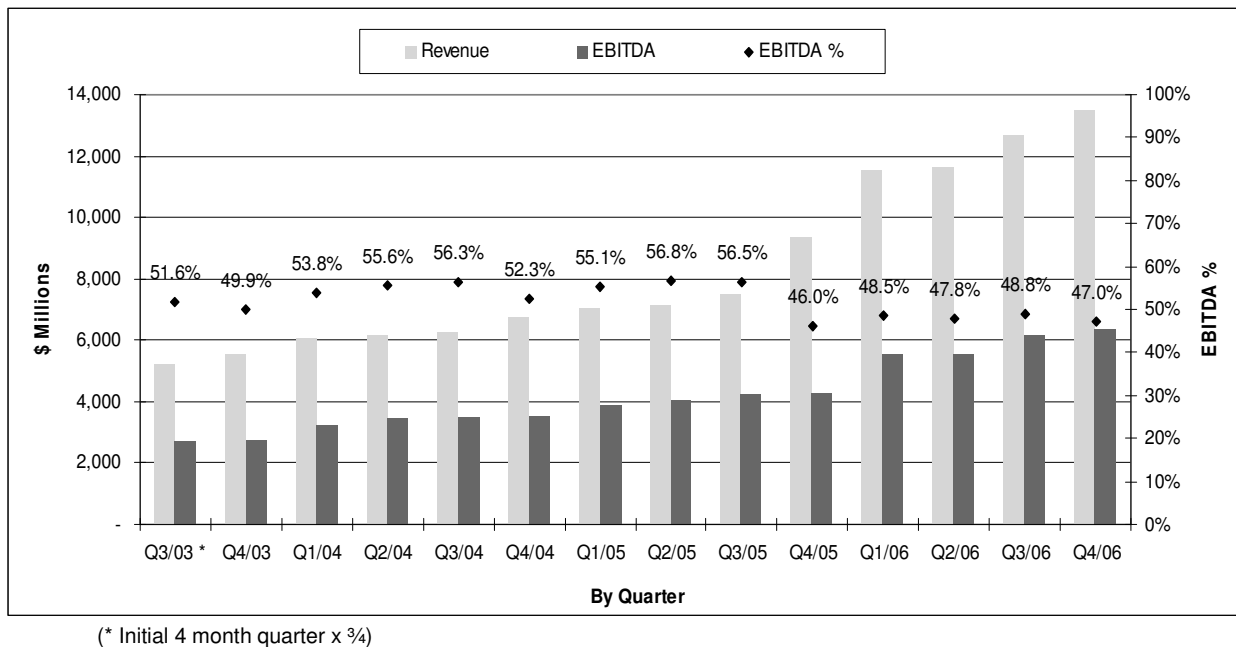
The Fund's activities are currently confined to the Province of Alberta, Canada. Operations include the Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement 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 Unit Holders

The Alberta economy outpaced the rest of the country. Despite the many pressures resulting from a 'hot' economy the Fund continued to deliver the highest quality services expected by our patrons. 2006 has been another banner year at Gamehost Income Fund. Financial performance at each of the Fund's retail, hotel and casino properties exceeded management's initial expectations. It is a pleasure to present the financial results for the twelve months ended December 31, 2006 (the "Period") and quarterly results for the three months ended December 31, 2006 (the "Quarter").



Row Your Boat

Consistent quarterly growth has been the Fund's hallmark since the startup in operations of the Fund in June 2003. Thirteen straight quarters of growth for anyone who's counting! Some might say we have merely ridden the wave of a strong energy sector to our success. While the energy industry has certainly been a catalyst, we have made our own contributions to the economic well-being of the province. In doing so we have compounded what spin-off benefits a strong energy sector provides. At the outset of operations in 2003 the Fund completed a major expansion of Great Northern Casino in Grande Prairie which has contributed steady annual growth and profitability. On November 21, 2005 management completed an ambitious joint venture construction project to build Deerfoot Inn & Casino in Calgary. On that date, the Fund hosted the opening of the province's first combined full-service hotel, convention, casino and entertainment centre. It is arguably, the finest facility of its kind in the province. On completion of its first full calendar year of operations in 2006 Deerfoot Inn & Casino has shown enormous growth and great future potential. In the fall of 2005 management secured vacated space adjacent to our Boomtown Casino in Ft. McMurray. By March 2006 of the current Period the facility was completely refurbished and twice the original capacity. This facility is now well positioned to provide revenue growth into the foreseeable future. Briefly put, while the tide of the energy industry rose we picked up our paddle and pulled hard.

Winning Numbers

Revenues totaled \$49.3 million and \$13.5 million for the Period and Quarter. This compares to the same time frames one year earlier of \$31.1 million and \$9.4 million for year over year growth of 58.6% and

43.9% for the Period and Quarter respectively. Revenue growth for the Quarter versus Q3 2006 totaled \$812 thousand or 6.4%.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled \$23.7 million and \$6.3 million for the Period and Quarter. This compares to the same time frames one year earlier of \$16.4 million and \$4.2 million for year over year growth of 44.5% and 50.0% for the Period and Quarter respectively. EBITDA growth for the Quarter versus Q3 2006 totaled \$154 thousand or 2.5%. If you are riding on Gamehost numbers you're riding a winner!

Best in the Class

Expressed as margin percentages, EBITDA was 48.0% and 47.0% of revenue respectively for the Period and Quarter. Compared to the same time frames one year earlier EBITDA was 53.1% and 46.0% of revenues for a year over year Period decline of 5.1 percentage points and an increase of 1.0 percentage points for the Quarter. Bonuses paid during the Quarter resulted in a decline of 1.8 percentage points in EBITDA margins versus Q3 2006 when EBITDA margins figured at 48.8%. Year over year declines in EBITDA as a percentage of revenue is largely due to the dilutive effect the new Deerfoot operations have on total operations. The Deerfoot property in general operates at lower overall margins due to higher components of lower margin food and entertainment offerings as compared to the Fund's other properties. Additionally, two large refurbishment projects of a non-capital nature for Great Northern Casino and Service Plus were undertaken during the Period. These expenses and some tactical adjustments made to salaries and wages also contributed to the Period decline in EBITDA margins. Management has done an excellent job of responding to inflationary pressures during the Period. Overall Fund margins remain the best in the North American gaming industry.

See You and Raise You

For the second time in the Fund's brief history Trustees approved a hike in the regular monthly distribution. At the startup of the Fund, distributions were set at \$0.115 per unit. The first increase of \$0.05 per unit to \$0.12 per unit was effective January 2004 for the eighth distribution period of the Fund. The second increase of \$0.03 per unit to \$0.15 per unit was announced effective the thirty-fifth distribution period of the Fund in April of 2006. Can we do it again? It's your bet.

Merry Christmas or Happy New Year?

In past years significant growth in cash generated from operations has prompted Trustees to approve special year-end distributions to unitholders. For the calendar years 2004 and 2005 special distributions of \$0.28 per unit and \$0.59 per unit respectively were made. Just prior to Christmas 2006 Trustees approved a \$1.07 per unit special distribution to be paid in the New Year on January 15, 2007.

Distributions for 2006 total \$2.78 per unit an increase of \$0.75 per unit or 37% over total distributions of \$2.03 per unit in 2005. Merry Christmas or Happy New Year? Both, we'd say.

Music Has Its Highs and Lows

In mid May 2006 Gamehost Income Fund units traded at an all time high of \$41.00 per unit. Negative reaction to the Conservative Federal Finance Minister, Jim Flaherty's, "Tax Fairness Plan" announcement on October 31, 2006 saw the Fund units dip to \$29.50 per unit. They are currently trading in the range of \$34.50 per unit. It is yet to be seen if Mr. Flaherty's Conservative Tax Fairness Plan becomes law. Regardless of the final outcome, management of the Fund will continue to do what we have done from the outset. By developing or purchasing new opportunities in high potential markets and continuing sensible organic growth while evaluating all possible alternative strategies we will continue to provide the highest possible return to all unitholders. That still sounds like beautiful music.

Thanks a Lot

Before we turn our all of our attention to the coming year it is appropriate that we acknowledge those so instrumental in getting us to where we are. With the current labour shortage in Alberta we are most fortunate to have not just the best of available people resources; we have the best people period! Thank you to all of our employees who day in day out exemplify the word 'service'. And to our investors and supportive members of the investment community, thank you for your continued confidence.

To Infinity and Beyond

That may sound a bit out of reach, but we are already at a place in time well before we thought. Sentiment remains bullish for the Alberta economy in 2007 so we continue to look forward with optimism for great achievements. Now, if you'll pass us those paddles...

February 2, 2007

On behalf of all Management and Trustees, 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 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%)
Machines¹	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

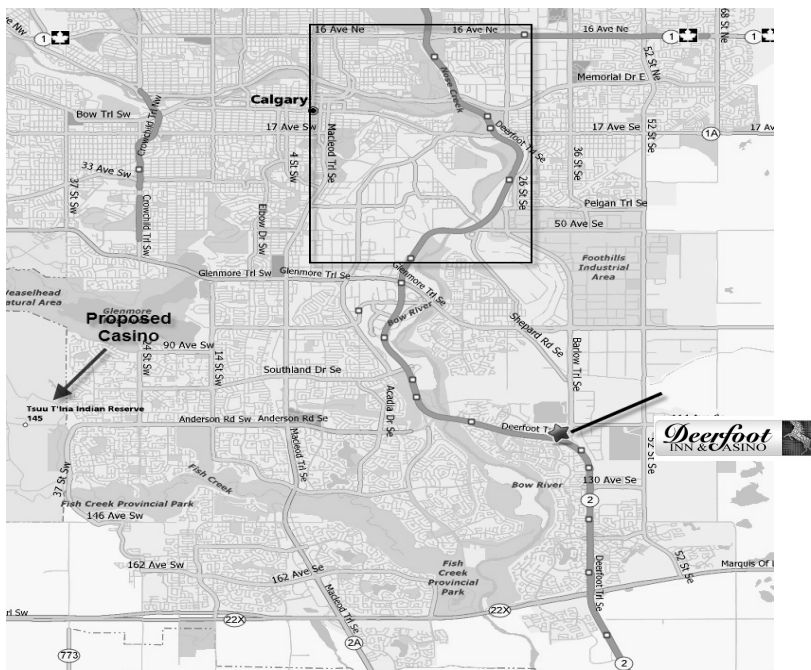
Softening in the price of oil and natural gas in the later stages of 2006 and into 2007 has resulted in some retreat in the magnitude of the energy industry capital programs for 2007. Indications are 2007 will still be a record year for drilling activity. This moderation in the outlook for the oil industry 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.

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 Great Northern Casino. 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 Great Northern Casino. 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.

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.

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

Auditor's Report

To the Unitholders of Gamehost Income Fund

We have audited the consolidated balance sheets of Gamehost Income Fund ("the Fund") as at December 31, 2006 and 2005 and the consolidated statements of unit holders' equity, consolidated statements of operations and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and 2005 and the results of its changes in unit holders' equity, operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Klynwood Helmer & Partners LLP

Chartered Accountants

Red Deer, Alberta
February 9, 2007

Consolidated Balance Sheets

(Audited)

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,055,044	\$ 8,528,002
Accounts receivable	1,208,560	854,230
Current portion of notes receivable	28,645	26,450
Inventories	253,360	227,889
Prepaid expenses and deposits	321,962	359,906
	9,867,571	9,996,477
Note receivable (Note 7)	58,820	87,464
Property, plant and equipment (Note 8)	35,676,659	36,240,215
Licenses (Note 9)	3,500,000	3,500,000
Goodwill	42,579,216	42,579,216
	<u>\$ 91,682,266</u>	<u>\$ 92,403,372</u>
Liabilities and unit holder equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,224,290	\$ 3,393,501
Term loans (Note 10 and 19)	10,397,157	14,092,035
Due to related parties (Notes 11 and 19)	135,451	35,481
Unit holder distributions payable	8,583,738	4,995,454
	21,340,636	22,516,471
Class B limited partnership units (Note 13)	35,583,320	35,358,688
	56,923,956	57,875,159
Unit holders' equity (Note 14)	34,758,310	34,528,213
	<u>\$ 91,682,266</u>	<u>\$ 92,403,372</u>

Commitments and contingencies (Note 15)

Guarantees (Note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



David J. Will, Trustee



Darcy, J. Will, Trustee

Consolidated Statements of Unit Holders' Equity

(Audited)

	twelve months ended December 31		<i>(Un-audited)</i> three months ended December 31	
	2006	2005	2006	2005
Balance at the beginning of the period	\$ 34,528,213	\$ 30,517,093	\$ 37,437,477	\$ 35,968,158
Unit class conversions (Note 14)	-	3,567,752	-	2,589
Net income	10,213,219	7,527,402	2,779,231	1,968,964
Distributions to unit holders	(9,983,122)	(7,084,034)	(5,458,398)	(3,411,498)
Balance at the end of the period	<u>\$ 34,758,310</u>	<u>\$ 34,528,213</u>	<u>\$ 34,758,310</u>	<u>\$ 34,528,213</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

(Audited)

	twelve months ended December 31		(Un-audited) three months ended December 31	
	2006	2005	2006	2005
Revenue				
Hotel – rooming	\$ 7,515,704	\$ 4,041,755	\$ 2,030,431	\$ 1,176,106
Table games	6,949,878	4,595,892	1,855,177	1,341,509
Slot machines	20,309,591	14,130,394	5,238,639	4,089,723
Food and beverage services	10,253,216	5,537,074	3,186,757	1,973,083
Lease and rental	313,329	288,374	76,482	66,390
Other	3,951,920	2,492,027	1,097,650	727,125
	<u>49,293,638</u>	<u>31,085,516</u>	<u>13,485,136</u>	<u>9,373,936</u>
Expenses				
Cost of goods sold	3,674,967	2,215,861	1,071,148	797,733
Human resources	12,833,921	7,137,017	3,501,499	2,460,518
Marketing and promotions	1,540,423	812,727	481,366	296,725
Operating	5,753,629	3,330,383	1,632,108	1,154,715
Corporate and general administration	1,829,586	1,090,003	458,278	352,863
	<u>25,632,526</u>	<u>14,585,991</u>	<u>7,144,399</u>	<u>5,062,554</u>
Earnings before amortization, interest and income allocation to Class B Limited Partners	23,661,112	16,499,525	6,340,737	4,311,382
Amortization	2,482,508	1,088,115	675,165	383,014
Interest charges	1,168,115	71,073	220,300	70,629
Income allocation to Class B Limited Partners	<u>9,797,270</u>	<u>7,812,935</u>	<u>2,666,041</u>	<u>1,888,775</u>
Net income	<u>\$ 10,213,219</u>	<u>\$ 7,527,402</u>	<u>\$ 2,779,231</u>	<u>\$ 1,968,964</u>
Net income per unit				
* Weighted average and fully diluted	<u>\$ 2.844</u>	<u>\$ 2.180</u>	<u>\$ 0.774</u>	<u>\$ 0.548</u>

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Audited)

	twelve months ended December 31		(Un-audited) three months ended December 31	
	2006	2005	2006	2005
Cash provided by (used for) operations				
Net income	\$ 10,213,219	\$ 7,527,402	\$ 2,779,231	\$ 1,968,964
Add non-cash items:				
Allocation of net income to class B limited partners	9,797,270	7,812,935	2,666,041	1,888,775
Amortization of property, plant and equipment	2,482,508	1,088,115	675,165	383,014
	22,492,997	16,428,452	6,120,437	4,240,753
Net changes in non-cash working capital:				
Accounts receivable	(354,330)	(422,587)	(326,632)	(352,622)
Inventories	(25,471)	(145,201)	(25,432)	(114,769)
Prepaid expenses	37,944	(323,362)	262,925	(164,757)
Accounts payable and accrued liabilities	(1,297,741)	(927,971)	(95,820)	(2,254,845)
	20,853,399	14,609,331	5,935,478	1,353,760
Financing				
Advances to/from related parties	99,970	255,336	115,936	38,814
Term loans advances (payments)	(3,694,878)	11,792,035	(3,667,526)	3,157,660
Proceeds from collection of notes receivable	26,449	24,423	6,795	6,210
Distributions to Class B Limited Partners	(7,819,696)	(6,268,056)	(1,550,160)	(2,341,873)
Unit holder distributions	(8,151,686)	(5,833,608)	(1,615,973)	(191,035)
	(19,539,841)	(29,870)	(6,710,928)	669,776
Investments				
Property, plant and equipment	(1,786,516)	(11,289,480)	(27,116))	(1,810,838)
Increase (decrease) in cash and cash equivalents	(472,958)	3,289,981	(802,566)	212,698
Opening cash and cash equivalents	8,528,002	5,238,021	8,857,610	8,315,304
Closing cash and cash equivalents	\$ 8,055,044	\$ 8,528,002	\$ 8,055,044	\$ 8,528,002
Supplemental cash flow information:				
Interest paid	\$ 1,168,115	\$ 71,073	\$ 522,987	\$ 70,629

Non-monetary transaction:

\$128,530 in balance sheet accounts payable and accrued liabilities relating to capital costs are instead presented in this statement as a reduction to Investments in Property, plant and equipment for both the Period and Quarter.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

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"), that opened Deerfoot Inn & Casino in Calgary on November 21, 2005.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

3. Basis of Preparation

The 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 consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

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. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of wholly owned subsidiaries, partnerships and trusts and its proportionate share of a joint venture. All significant accounts and transactions between consolidated entities are eliminated.

Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Estimates are used when accounting for such items and matters as long-term contracts, allowance for doubtful accounts, inventory obsolescence, amortization, employee benefits, impairment of long-lived assets, accrued liabilities, intangibles and contingencies.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and credit card accounts. US dollar balances have been converted to Canadian equivalents using exchange rates at December 31, 2006.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by using the first-in, first-out method.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is based on their estimated useful life using the following rates and methods:

Notes to Consolidated Financial Statements

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(Audited)

5. Significant Accounting Policies (cont.)

Land improvements	- 2% straight line
Buildings	- 4% - 5% reducing balance
Leaseholds	- 5 to 10 years straight line
Furniture, fixtures and equipment	- 20% - 45% reducing balance

Goodwill and licenses

Goodwill and licences with indefinite useful lives arose during the Asset Transfer Agreement of a Plan of Arrangement which saw the Great Northern Casino, Grande Prairie Real Estate consisting of Service Plus and the Strip Mall, Boomtown Casino and a 40% interest in the Deerfoot Joint Venture transfer to Gamehost Limited Partnership. Also included in the asset transfer was casino operating licences for Great Northern Casino and Boomtown Casino. Valuations for goodwill and licences represent the excess of fair value over carrying value of the physical assets at time of transfer. An annual impairment test is performed to determine if the recorded cost exceeds the current fair market value of the account. Where the carrying value exceeds the fair value, a charge against net income is recorded in the period in which the impairment occurred. An impairment loss is recognized when the assets carrying value is no longer recoverable from its future estimated undiscounted cash flows and exceeds its fair value. Based on management's review in 2006, the Fund does not believe an impairment of the carrying value of goodwill or licences has occurred and no provision for impairment has been made in these financial statements.

Long-lived assets

Long-lived assets, such as property, plant and equipment and tangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future undiscounted cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. As at December 31, 2006, there are no events or circumstances indicating that the carrying value of long-lived assets may not be recoverable.

Construction in progress

The Fund limits additions to construction in progress to hard constructions costs, third party planning, legal, permits and fees, fixturing, interest on financing during construction, and any other costs normally associated with building construction. Costs that would otherwise be treated as operational in nature for a pre-existing asset are included in the operating results for the Period for the new asset.

Revenue recognition

Revenues from gaming operations consist of the Fund's share of the gaming wins pursuant to its operating agreement with Alberta Gaming and Liquor Commission and are recognized on a daily basis.

Revenues from hotel operations and food and beverage sales are recognized when services are rendered.

Revenues from rental operations are recognized in accordance with the lease agreements.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

5. Significant Accounting Policies (cont.)

Income taxes

Income earned directly by the Limited Partnership is not subject to income taxes as its income is taxed directly to the Limited Partnership unit holders or to the Fund unit holders. The Fund has established a policy to distribute all of its taxable income to unit holders on an annual basis.

On October 31, 2006, the Canadian government proposed legislation that would affect the non-taxable status of the Fund effective 2011.

Joint venture

The Fund's investment in the Deerfoot Joint Venture is accounted for using the proportionate consolidation method.

6. Regulations

The Fund's gaming operations are subject to regulations imposed by the Alberta Gaming and Liquor Commission. The Fund has a letters of guarantees in favor of Alberta Gaming and Liquor Commission in the amount of \$48,000 for the purpose of purchasing liquor.

7. Note Receivable

Note Receivable	December 31	
	2006	2005
Promissory note and accrued interest	\$ 87,464	\$ 113,914
Less: current portion	28,645	26,450
Notes receivable	\$ 58,819	\$ 87,464
Estimated principal repayments are:		
2007	28,645	
2008	31,010	
2009	27,809	

Notes receivable consists of a single promissory note. The note is repayable in monthly installments of \$2,877 including interest at 8% per annum compounded monthly. The note receivable is secured by a general security agreement and hypothecation agreement. The note is due October 20, 2009.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

8. Property, Plant and Equipment

2006		Accumulated	Net Book
	Cost	Amortization	Value
Land	\$ 3,915,757	\$ -	\$ 3,915,757
Land improvements	1,929,649	88,013	1,841,636
Buildings	25,696,356	2,496,971	23,199,385
Buildings for lease or rent	851,708	139,731	711,977
Leaseholds	2,478,210	202,703	2,275,508
Furniture, fixtures and equipment	5,944,824	2,213,210	3,731,614
Construction in progress	784	-	784
	<u>\$ 40,817,287</u>	<u>\$ 5,140,628</u>	<u>\$ 35,676,659</u>

A major facility expansion of Boomtown Casino was capitalized in Q3 2006 and three months amortization on the expansion has been recorded on leaseholds for the Period.

2005		Accumulated	Net Book
	Cost	Amortization	Value
Land	\$ 3,915,757	\$ -	\$ 3,915,757
Land improvements	1,925,329	49,329	1,876,000
Buildings	25,302,374	1,458,847	23,843,527
Buildings for lease or rent	851,708	102,258	749,450
Leaseholds	313,461	99,884	213,577
Furniture, fixtures and equipment	5,052,862	947,802	4,105,060
Construction in progress	1,536,844	-	1,536,844
	<u>\$ 38,898,335</u>	<u>\$ 2,658,120</u>	<u>\$ 36,240,215</u>

Certain equipment and machines are provided by and owned by Alberta Gaming and Liquor Commission and have not been included in these financial statements.

9. Licenses

Licenses for Boomtown Casino and Great Northern Casino were originally acquired on June 1, 2003 through a plan of arrangement. The licenses are considered to have indefinite lives because they are expected to generate cash flow indefinitely. Licenses were originally granted based on an application for a Traditional Casino Gaming License through the Alberta Gaming and Liquor Commission. The application process is arduous, consisting of 8 steps. Licenses are renewed every three years following an exhaustive audit conducted by Alberta Gaming and Liquor Commission to test compliance with Alberta Gaming and Liquor Commission's regulated Terms & Conditions. The current term of the licenses expire June 30, 2008.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

9. Licenses (cont.)

The Deerfoot Joint Venture license was originally issued November 18, 2005 prior to opening the new facility. The current term of the license expires November 17, 2008.

The Fund's business controls and procedures are designed to comply with all the Terms and Conditions and Alberta Gaming and Liquor Commission audit findings have consistently determined satisfactory outcomes.

10. Term Loan(s)

The Fund has a \$9.0 million term loan with the Canadian Western Bank ("CWB"). Conditions of the term loan allow for interest only payments to maturity of the loan in May, 2007. The Limited Partnership may also repay and draw on the loan similar to other revolving debt instruments without early payment penalty. There are no specific debt covenants attached to this loan.

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 (2005 - \$4.8 million) outstanding. Terms of the loan include a floating interest rate at 1.5% above CWB prime. This rate was 7.5% at December 31, 2006 (2005 – 6.5%). In January 2007, the remaining available \$7.0 million was drawn on the term loan to pay the special distribution declared by the Fund's Trustees for December 2006.

- 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

The Fund has recorded their proportionate share of a Deerfoot Joint Venture term loan as disclosed in Notes 15 and 19 to these financial statements.

11. 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 year, 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:
 - Payment by the Fund for management services in the amount of \$482,520 (2005 - \$335,240);
 - Payment by the Fund for aircraft and other rentals in the amount of \$367,036 (2005 - \$184,451);
 - Reimbursement by the Fund for expenses incurred on behalf of the Fund in the amount of \$264,756 (2005 - \$301,832);
 - Received by the Fund reimbursement of expenses incurred on behalf of these companies in the amount of \$nil (2005 - \$21,366);

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

11. Related Party Transactions (cont.)

- Payment by the Fund of distributions on Class B Partnership units owned by these companies in the amount of \$8,528,484 (2005 - \$6,659,634).
- Amounts which are unpaid at December 31 include the following:
 - \$3,742,716 (2005 - \$2,177,750) in distributions payable;
 - \$nil (2005 - \$92,561) included in accounts payable; and
 - \$nil (2005 - \$8,787) included in accounts receivable; and
 - \$71,495 (2005 - \$35,481) included in due to related parties.
- b) During the year, the Fund also paid other trustees or companies controlled by other trustees, consulting and trustee services in the amount of \$100,749 (2005 - \$111,457). Of these amounts, \$30,875 (2005 - \$nil) are included in due to related parties at December 31 and \$nil (2005 - \$22,500) is included in accounts payable at December 31.
- 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 19.

12. Distributions to Unit holders

Declared distributions totaled \$19,559,666 for the Period (2005 - \$14,282,778). Total declared distributions of \$2.78 per unit (2005 - \$2.03) include regular monthly planned distributions of \$0.12 per unit in each month of Q1 2006 and \$0.15 per unit in each calendar month thereafter as well as a special year-end distribution of \$1.07 per unit (2005 - \$0.59). The total December distribution of \$1.22 per unit is recorded as payable at the end of the Period. Significant dates for these distributions are set out below. Subsequent to the end of the Period, trustees declared a \$0.15 per unit cash distribution for January 2007.

2006 Distribution Summary

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	16-Jan-06	31-Jan-06	15-Feb-06	\$0.12
February	15-Feb-06	28-Feb-06	15-Mar-06	\$0.12
March	14-Mar-06	31-Mar-06	17-Apr-06	\$0.12
April	17-Apr-06	30-Apr-06	15-May-06	\$0.15
May	15-May-06	31-May-06	15-Jun-06	\$0.15
June	08-Jun-06	30-Jun-06	14-Jul-06	\$0.15
July	07-Jul-06	31-Jul-06	15-Aug-06	\$0.15
August	11-Aug-06	31-Aug-06	15-Sep-06	\$0.15
September	11-Sep-06	30-Sep-06	16-Oct-06	\$0.15
October	16-Oct-06	31-Oct-06	15-Nov-06	\$0.15
November	16-Nov-06	30-Nov-06	15-Dec-06	\$0.15
December	18-Dec-06	31-Dec-06	15-Jan-07	\$1.22

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

12. Distributions to Unit Holders (cont.)

2007 Subsequent Distributions

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-07	31-Jan-07	15-Feb-07	\$0.15

2005 Distribution Summary

Month	Date Declared	Record Date	Payment Date	Distribution per Unit
January	15-Jan-05	31-Jan-05	15-Feb-05	\$0.12
February	16-Feb-05	28-Feb-05	15-Mar-05	\$0.12
March	15-Mar-05	31-Mar-05	15-Apr-05	\$0.12
April	19-Apr-05	30-Apr-05	16-May-05	\$0.12
May	13-May-05	31-May-05	15-Jun-05	\$0.12
June	22-Jun-05	30-Jun-05	15-Jul-05	\$0.12
July	15-Jul-05	31-Jul-05	15-Aug-05	\$0.12
August	03-Aug-05	31-Aug-05	15-Sep-05	\$0.12
September	08-Sep-05	30-Sep-05	14-Oct-05	\$0.12
October	12-Oct-05	31-Oct-05	15-Nov-05	\$0.12
November	14-Nov-05	30-Nov-05	15-Dec-05	\$0.12
December	20-Dec-05	31-Dec-05	16-Jan-06	\$0.71

13. Class B Limited Partnership (LP) Units

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

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

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

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 twelve month period ended December 31, 2006
 (Audited)

13. Class B Limited Partnership (LP) Units (cont.)

	2006		2005	
	Units	\$'s	Units	\$'s
Balance at the beginning of the period	3,444,800	\$ 35,358,688	3,787,800	\$ 38,306,640
Unit class conversions	-	3,906	(343,000)	(3,562,143)
Net income	-	9,797,270	-	7,812,935
Distributions to unit holders	-	(9,576,544)	-	(7,198,744)
Balance at the end of the period	3,444,800	\$ 35,583,320	3,444,800	\$ 35,358,688
Partners				
DJ Will Holdings Limited	2,167,800		2,167,800	
Darcy Co Holdings Ltd.	900,000		900,000	
Vergouwen Investments Ltd.	147,000		147,000	
1068802 Alberta Ltd.	230,000		230,000	
	3,444,800		3,444,800	

There were no changes in the number of LP Units issued or outstanding during the Period.

14. Fund Units

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

	2006		2005	
	Units	\$'s	Units	\$'s
Balance at the beginning of the period	3,591,051	\$ 34,528,213	3,248,051	\$ 30,517,093
Unit class conversions	-	-	343,000	3,567,752
Net income	-	10,213,219	-	7,527,402
Distributions to unit holders	-	(9,983,122)	-	(7,084,034)
Balance at the end of the period	3,591,051	\$ 34,758,310	3,591,051	\$ 34,528,213

There were no changes in the number of units issued or outstanding during the Period.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

15. Commitments

Operating leases and service contracts

The Fund has certain commitments for office equipment as well as premise rent for one of its Casino locations that expires in 2020. At December 31, 2006, the future minimum commitment payments were as follows:

2007	\$	878,463
2008		831,641
2009		824,664
2010		799,850
2011		802,950
Thereafter		7,179,002

Deerfoot Inn & Casino Deerfoot Joint Venture

The Fund has a 47.75% Contributing Interest Responsibility to the Deerfoot Joint Venture. All current capital requirements of the Joint Venture have been satisfied.

The Fund is responsible for a 40% Participating Responsibility in the ongoing operations of the Deerfoot Joint Venture and hence it's share of any operating commitments of the Deerfoot Joint Venture. The Deerfoot Joint Venture commitments are detailed separately in Note 19.

16. Financial Instruments

Fair value

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, term loan, due to/from related parties and unit holders distributions payable approximate their carrying value due to the short-term maturities of these instruments.

The book value of note receivable approximates its fair value. The fair value was established using discounted cash flow analysis, based on current borrowing rates for similar types of financing arrangements.

The fair value of the Class B Partnership units has not been determined as it is not practical to estimate the fair value of these financial instruments with sufficient reliability.

Credit risk

The Fund, in the normal course of operations, monitors the financial condition of its customers. The Fund does not have significant exposure to any individual customer or counterparty. The Fund establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends or economic circumstances.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

16. Financial Instruments (cont.)

Interest rate risk

The Fund is exposed to interest rate risk on debt instruments to the extent of changes in the prime interest rate.

Exchange rate risk

The Fund purchases some product from the United States. The Fund is exposed, in its normal course of operations, to exchange rate risk from foreign exchange rate fluctuations. Accounts subject to exchange rates are recorded at the exchange rate as at December 31, 2006 which may differ when the accounts are settled. Any differences in the settled amounts are recorded as part of sales or cost of sales.

It is management's opinion that the Fund is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Industry risk

Service Plus in Grande Prairie is currently deriving 80% of its business from the energy sector. Being a significant portion of the properties overall business volume exposes the Fund to some industry risk.

Given the current and longer term prospects for the energy sector in northern Alberta, it is management's opinion that the Fund is not exposed to significant industry risk at the present time.

17. Guarantees

The Fund has entered into indemnification agreements with current trustees to indemnify them, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of the indemnification agreements prevents management from making a reasonable estimate of the maximum potential amount the Fund could be required to pay counterparties. The Fund has purchased directors' and officers' liability insurance.

The Fund has granted an \$11.46 million unsecured limited liability guarantee to the Deerfoot Joint Venture to indemnify it in the event the Deerfoot Joint Venture does not perform its contractual obligations. At December 31, 2006, the maximum potential liability under this guarantee was \$8.4 million (2005 - \$9.3 million). The Fund has not recorded a liability with respect to this guarantee, as the Fund does not expect to make any payments in excess of what is recorded on the Fund's financial statements for the aforementioned items. The Fund has not charged a fee to the Deerfoot Joint Venture in regards to this guarantee. No specific assets have been provided as security.

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(Audited)

18. Progressive Jackpot Funds

Included in cash and cash equivalents is \$370,373 (2005 - \$213,004) and accounts payable is \$329,918 (2005 - \$152,024) relating to progressive jackpot funds. The progressive jackpot funds assets are not available for use for general operations but are set aside for any potential payout to progressive jackpot winners.

19. 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 on November 21, 2005 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 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 following statements report the Fund's 40% proportionate share of the Deerfoot Joint Venture's assets, liabilities, revenues and expenses and net income, and cash flows resulting from operating, financing and investing activities.

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(Audited)

19. Investment in the Deerfoot Joint Venture (cont.)

Deerfoot Joint Venture (Gamehost Participating Interest)
Balance Sheets
(Audited)

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,623,245	\$ 2,403,991
Accounts receivable	350,336	296,865
Inventories	124,168	131,883
Prepaid expenses	120,915	119,920
	<u>3,218,664</u>	<u>2,952,659</u>
Property, plant & equipment	15,793,322	17,201,083
	<u>\$ 19,011,986</u>	<u>\$ 20,153,742</u>
Liabilities and unitholder equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 899,505	\$ 1,783,522
Term loan	8,397,157	9,292,035
Due to related parties	33,082	26,845
	<u>9,329,744</u>	<u>11,102,402</u>
Equity	<u>9,682,242</u>	<u>9,051,340</u>
	<u>\$ 19,011,986</u>	<u>\$ 20,153,742</u>

Notes to Consolidated Financial Statements
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 (Audited)

19. Investment in the Deerfoot Joint Venture (cont.)

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

	Audited twelve months ended December 31		Unaudited three months ended December 31	
	2006	2005	2006	2005
Revenue				
Hotel - rooming	\$ 2,710,998	\$ 124,409	\$ 1,646,583	\$ 124,408
Table games	2,614,509	246,275	1,370,057	246,275
Slot machines	3,954,691	384,345	2,208,024	384,346
Food & beverage services	4,015,400	540,288	2,277,117	540,288
Lease and rental	6,996	-	5,596	-
Other	1,207,568	94,380	727,048	94,380
	<u>14,510,162</u>	<u>1,389,697</u>	<u>8,234,426</u>	<u>1,389,697</u>
Expenses				
Cost of goods sold	1,416,492	221,098	767,665	
Human resources	5,287,254	914,456	2,797,540	85,037
Marketing and promotions	826,929	128,954	474,277	8,682
Operating	1,781,622	283,824	957,956	4,632
General and administration	455,216	186,812	220,019	9,470
	<u>9,767,513</u>	<u>1,735,144</u>	<u>5,217,457</u>	<u>107,821</u>
Earnings before interest and amortization	4,742,649	(345,447)	3,016,970	1,281,877
Interest	616,203	-	295,649	-
Amortization	<u>1,425,781</u>	<u>120,361</u>	<u>725,914</u>	<u>120,360</u>
Income (Loss)	<u>\$ 2,700,665</u>	<u>(\$ 465,808)</u>	<u>\$ 1,995,407</u>	<u>\$ 1,161,517</u>
Cash Flows				
Operating activities	\$ 3,195,678	(\$ 1,153,456)	\$ 2,749,747	\$ 1,589,855
Financing activities	(2,958,404)	12,318,881	(2,427,886)	3,703,014
Investing activities	<u>(18,019)</u>	<u>(9,202,818)</u>	<u>905</u>	<u>(3,392,818)</u>
Increase in cash and cash equivalents	219,254	1,962,607	322,766	1,900,051
Opening cash and cash equivalents	<u>2,403,991</u>	<u>441,384</u>	<u>2,300,479</u>	<u>503,940</u>
Closing cash and cash equivalents	<u>\$ 2,623,245</u>	<u>\$ 2,403,991</u>	<u>\$ 2,632,245</u>	<u>\$ 2,403,991</u>

Notes to Consolidated Financial Statements

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19. Investment in the Deerfoot Joint Venture (cont.)

Commitments and contingencies for Deerfoot Inn & Casino Joint Venture

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 December 31, 2006 (2005 – 5.25%).

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 December 31, 2006, Segment (2), the revolving portion of the term loan, had been reduced to \$nil.

The Fund has recorded their proportionate share of the debt as disclosed in Notes 15 and 17 to these financial statements.

Land Purchase

The joint venturers have signed an offer to purchase land in Calgary, Alberta from Telsec Development Ltd. 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 from Telsec Developments Ltd. 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 Q1 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.

Other

The Joint Venture has entered into other arrangements in the normal course of business for equipment. The Fund's 40% proportionate shares of these commitments are as follows:

Year	Commitment
2007	\$ 26,271
2008	23,710
2009	19,994
2010	15,372
2011	6,244

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

19. Investment in the Deerfoot Joint Venture (cont.)

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 year ending December 31, 2006, \$792,615 (2005 - \$52,114) was paid or accrued as management fees.

The Funds 40% proportionate share has been recorded at \$317,046 (2005 - \$20,846) of which \$33,082 (2005 - \$20,846) is part of the due to related party balance as disclosed to these financial statements.

Contingencies

The Joint Venture is party to a claim arising in the normal course of operations. The Joint Venture does not expect the resolution of this matter to have a materially adverse effect on the financial position or results of operations of the Joint Venture. No provision for this claim has been made in these financial statements. Should a loss result from these claims, such loss would be accounted for as an expense in the period in which the loss is determined or can be reasonable estimated.

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 \$317,046 (2005 - \$20,846);
 - Payment by the Deerfoot Joint Venture for aircraft and other rentals in the amount of \$4,481 (2005 - \$5,440);
 - Reimbursement by the Deerfoot Joint Venture for expenses incurred on behalf of the Deerfoot Joint Venture in the amount of \$106,813 (2005 - \$84,864);
 - Payment by the Deerfoot Joint Venture of cash distributions in the amount of \$1,550,400 (2005 - \$nil).
 - Amounts which are unpaid at December 31 include the following:
 - \$6,459 (2005 - \$30,006) included in accounts payable; and
 - \$33,082 (2005 - \$26,845) included in due to related parties.

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

20. 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.

	Q4 (twelve months)			Q4 (three months)			vs. Previous quarter	
	2006	2005	+(-)	2006	2005	+(-)	Q3 2006	+(-)
Revenue								
Tables	6,950	4,596	51.2%	1,855	1,342	38.2%	1,657	11.9%
Slots	20,310	14,130	43.7%	5,239	4,090	28.1%	5,302	(1.2%)
Other	3,428	2,353	45.7%	958	677	41.5%	872	9.8%
Gaming	30,687	21,079	45.6%	8,052	6,109	31.8%	7,832	2.8%
Hotel	8,202	4,360	88.1%	2,222	1,256	76.9%	2,319	(4.2%)
Food and beverage	10,253	5,537	85.2%	3,187	1,973	61.5%	2,475	28.7%
Other	151	110	37.4%	24	36	(32.3%)	46	(47.3%)
Total	49,294	31,086	58.6%	13,485	9,374	43.9%	12,673	6.4%
Expenses								
Gaming	9,413	7,840	20.1%	2,657	3,829	(30.6%)	2,741	(3.1%)
Hotel	5,608	1,993	181.4%	1,540	760	102.6%	1,508	2.1%
Food and beverage	8,918	3,450	158.5%	2,546	348	631.5%	1,980	28.5%
Other	1,693	1,374	23.2%	402	196	105.2%	258	56.1%
Total	25,633	14,657	74.9%	7,144	5,133	39.2%	6,487	10.1%
EBITDA								
Gaming	21,274	13,239	60.7%	5,395	2,280	136.6%	5,091	6.0%
Hotel	2,594	2,367	9.6%	682	496	37.6%	812	(16.0%)
Food and beverage	1,335	2,087	(36.0%)	641	1,625	(60.6%)	495	29.5%
Other	(1,542)	(1,265)	21.9%	(378)	(160)	136.1%	(211)	78.7%
Total	23,661	16,428	44.0%	6,341	4,241	49.5%	6,186	2.5%
Interest	1,168	0	100.0%	220	0	100.0%	303	(27.2%)
Amortizations	2,483	1,088	128.2%	675	383	76.3%	619	9.0%
Net earnings	20,010	15,340	30.4%	5,445	3,858	41.1%	5,264	3.4%

(in thousands of dollars unless stated otherwise)

Notes to Consolidated Financial Statements

twelve month period ended December 31, 2006

(Audited)

20. Segmented Information (cont.)

Long-lived Assets		
	December 31, 2006	December 31, 2005
Hotel		
Goodwill and licenses	\$ 4,579	\$ 4,579
Property, plant and equipment	16,855	16,762
Work-in-progress	-	-
	21,434	21,341
Casino		
Goodwill and licenses	41,500	41,500
Property, plant and equipment	16,395	13,041
Work-in-progress	-	1,537
	57,895	56,078
Food & Beverage		
Property, plant and equipment	7,402	7,398
Work-in-progress	-	-
	7,401	7,398
General Administration		
Property, plant and equipment	166	160
Work-in-progress	-	-
	166	160
Total		
Goodwill and licenses	46,079	46,079
Property, plant and equipment	40,817	37,361
Work-in-progress	-	1,537
	\$ 86,896	\$ 84,977

Long Lived Assets at NBV ¹		
	December 31, 2006	December 31, 2005
Hotel	\$ 19,195	\$ 20,092
Casino	56,460	53,728
Food & Beverage	7,092	6,865
General Administration	9	97
Work-in-progress	-	1,537
	\$ 81,756	\$ 82,319

(in thousands of dollars unless stated otherwise)

¹ NBV (Net Book Value)

Gamehost Income Fund

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Stock Exchange Listing

TSX Venture Exchange
Trading Symbol – GH.UN

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James McPherson
Tim Sebastian
Jerry P. Van Someren
Peter L. Miles

Officers

David J. Will, CEO
Darcy J. Will, President
Craig M. Thomas, CFO
Elston Noren, COO

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Audit Committee

Jerry P. Van Someren, Chair
James McPherson
Peter L. Miles

Joint Compensation and Governance Committee

James McPherson, Chair
Tim Sebastian
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