



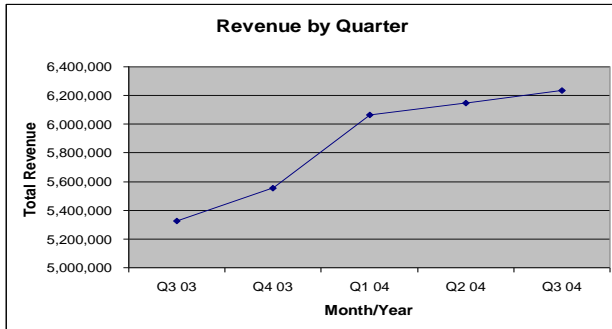
**2004 Third Quarter
Management Discussion and Analysis
for the three and nine month periods ended September 30, 2004**



To our Unitholders,

The Trustees and management of Gamehost Income Fund are pleased to present financial results for the nine month period ended September 30, 2004.

REVENUE GROWTH CONTINUES



Growth in revenues continued for the fourth consecutive quarter since our first interim report in September 2003. Revenues during the third quarter totaled \$6.25 million. Earnings before interest, taxes and all amortizations (EBITDA) totaled \$3.52 million for an EBITDA margin of 56.3%. This compares to the previous quarter where revenues totaled \$6.18 million with EBITDA at \$3.4 million and EBITDA margins of 55%.

SURPLUS CASH FINANCES JOINT VENTURE

During the current calendar year the Fund has maintained a monthly distribution of \$0.12/unit while still managing to build surplus cash in excess of distributions. Over and above our distributions to unitholders, the Fund has met the obligation to our joint venture interest in Deerfoot Inn and Casino Inc. by financing our portion of the construction costs entirely from surplus cash. To date this amounts to \$2.25 million.

Operations

The casino division posted record revenues during the Quarter. Both slot and automated banking machines generated record revenues during the period and all other components of gaming operations performed near previously recorded high levels. In mid September, 57 additional slot machines were added to gaming operations and a further 20 added in October. The benefits of these new machines will be realized in future periods. Hotel revenues were 5% higher than the previous quarter but still fall 17% short of record quarterly revenues posted in the first quarter of the year. October, however, is showing continued recovery in bookings.

Joint Venture Construction

The Deerfoot Inn & Casino project is now very much visible on the Calgary horizon. Concrete pouring of the sixth floor of the seven floor hotel tower is complete at the time of writing. The hotel with accompanying casino and convention centre is destined to become a landmark in the S.E. corner of the city and a drawing card for the entertainment seeker, corporate and personal traveler and social occasional gamer.

2004 Distribution Summary

Month	Date Declared	Record Date	Date Paid	Distribution per Unit
January	15-Jan-04	31-Jan-04	15-Feb-04	\$0.12
February	16-Feb-04	29-Feb-04	15-Mar-04	\$0.12
March	15-Mar-04	31-Mar-04	15-Apr-04	\$0.12
April	21-Apr-04	30-Apr-04	17-May-04	\$0.12
May	18-May-04	31-May-04	15-Jun-04	\$0.12
June	17-Jun-04	30-Jun-04	15-Jul-04	\$0.12
July	08-Jul-04	31-Jul-04	16-Aug-04	\$0.12
August	11-Aug-04	31-Aug-04	15-Sep-04	\$0.12
September	20-Sep-04	30-Sep-04	15-Oct-04	\$0.12
October	21-Oct-04	31-Oct-04	15-Nov-04	\$0.12
November				\$0.12
December				\$0.12

2004 planned regular distribution (It is the intention of the Fund to make sufficient distributions so as to eliminate any taxable position of the Fund at year end.) **\$1.44**



We continue to be positive about the business outlook for the northern portion of the province and the economic spin offs to be received by the Funds revenue producing assets serving those areas. Staff have been active booking events for upcoming seasonal celebrations which look to keep our facilities busy through to the end of the year.

As always, I like to thank our dedicated staff for their fine accomplishments. Their commitment to hospitality ensures that our customers return again and again and greatly contributes to the success of the Fund.

I hope that for you, our unitholder, results for this quarterly report meet or exceed your definition of success and that you will continue to believe as we do in our total entertainment model.

Sincerely,

(Signed by David J. Will)

(Signed by Darcy J. Will)

David J. Will
Chairman, Gamehost Income Fund

Darcy J. Will
President, Gamehost Income Fund



Q3 - 2004 Management Discussion and Analysis

Overview

Gamehost Income Fund (the “Fund”) is an unincorporated open ended trust governed by the laws of the province of Alberta and was formed on April 9, 2003. The Fund operates two casinos and a hotel all located in Alberta. These operations include Boomtown Casino in Ft. McMurray, Great Northern Casino and Service Plus Inns & Suites Hotel both located in Grande Prairie. As complement to the Hotel the Fund owns a retail block that leases space to a liquor store, pub and full service restaurant operation. The Fund is also a joint venture partner (40%) in a hotel/convention/entertainment/casino development proposal for Calgary, Alberta (the “Joint Venture”).

The Fund distributes cash generated by owned and operated assets to unitholders on a monthly basis. Management believes in a total entertainment/hospitality model. The model targets the entertainment seeker and social occasional gamer by offering modern, clean, inviting venues that deliver live entertainment, lounging and dining, rest and relaxation together with gaming.

Discussion of Operations and Financial Condition

This discussion should be read in conjunction with the reported financial results for the period ended September 30, 2004 (the “Period”). Financial statements for the Period have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). No audit or review has been carried out by the Funds auditors in relation to financial statements for the Period.

The Fund began operations on June 1, 2003. For reporting purposes, the Fund is treated as a new entity. As a result, there is no reasonably comparable prior year financial information for the fiscal year to date, January 1, 2004 thru September 30, 2004 (the “Period”) or July 1, 2004 thru September 30, 2004 (the “Quarter”). Management discussion and analysis is therefore limited to a more general discussion of activities and comparison to the previous quarter in the current fiscal year.

Facilities and General Operations

Ongoing funding requirements for the Joint Venture were the only significant capital expenditures during the Quarter. During the Quarter the Fund contributed \$955 thousand representing balances owing as determined by the Joint Ventures cash requirements forecast and the Fund’s 47.75% contributing responsibility.

The seventh and final concrete floor of Deerfoot Inn and Casino hotel tower is in the final stages of pouring. Steel work for the casino and convention centre is 85% complete. The building should be fully enclosed by mid-November. The project is on track to be completed during the fourth quarter of 2005.

The Fund’s casinos generate revenue via commissions paid by Alberta Liquor and Gaming Commission (“AGLC”) for operating AGLC owned slot machines and from winnings on table games owned and operated by the Fund as well as automated banking machines located on the premises. Seventy one (71) additional slot machines were added at the Great Northern Casino (51 in September, 20 in October) and 6 additional machines were added at Boomtown Casino in September. Existing operations at the casinos, hotel and retail complex are running smoothly.

Revenues

Third quarter combined revenues totaled \$6.25 million, an increase of 1.2% from the previous quarter. This makes four consecutive quarters of sustained revenue growth.

Rooming revenue – previously titled “Accommodation and rental revenue”, now includes only accommodation and meeting room rentals at the hotel. Comparable figures have been adjusted accordingly. Rooming revenue for the

Quarter still trails the quarterly high revenue figures recorded in quarter one by 17%. However, Quarter revenues improved by 5% to \$769 thousand from \$734 thousand in quarter two. Occupancy calculates to 70% during the quarter bringing the year to date occupancy rate to 74%. The out look into the next quarter is promising with oil and energy sectors picking up pace into the freeze up period. This should translate into some additional recovery in the occupancy rates during the final quarter. Room rates have been held stable while we continue to focus on highly personalized service. Rate reductions would be detrimental to the market as a whole which has added capacity over the past year. We are encouraged by our performance in retaining market share given the increased number of hotel rooms in the Grande Prairie area and believe it says a lot about our attention to personalized service and clean well managed facilities.

Table game revenue – was down from the previous quarter by \$96 thousand to just over \$1 million for the quarter ended. This figure is consistent with average revenue generation on a quarterly basis. On September 22nd, The Funds percentage of table revenues at Great Northern Casino from AGLC dropped from 75% to 65%. This coincided with exceeding the maximum number of slot machines to remain eligible to be classed as a minor casino in the province.

Slot machine revenue – both casinos recorded excellent revenues during the quarter. Neither topped previous quarterly highs individually, but combined, their results in this Quarter exceeded the previous quarterly record by \$125 thousand for a new quarterly record of \$2.9 million up nearly 5% from the previous quarter. In mid September 51 machines and a further 20 machines in October were added at Great Northern Casino. Boomtown Casino received 6 new machines excluding replacements in September as well. This brings the total number of machines to 370 and 206 respectively at the two casinos.

Food, beverage and entertainment revenue – for the Quarter totaled \$977 thousand a 4% increase from the previous quarter. Quarterly revenues in this area have averaged an 8% quarterly growth rate since inception of the Fund.

Lease revenue – on a monthly basis is now maximized for the next five year period at our retail complex as all three existing tenants have entered their renewal option period. Options all included increases to base lease rates. Lease revenue from the Kakwa café located inside the Great Northern Casino is expected to remain flat even though the tenant is considering selling his business to a new operator. Any new operator or management will only take place at the mutual agreement of the Limited Partnership as landlord.

Other revenue – for the Quarter totaled \$568 which approximates average quarterly revenue generation in this category which includes among other items, automated teller fees, movie rentals, cigarette sales etc.

Expenses

Direct and general administrative expenses - for the Quarter totaled \$3.0 million including amortization of \$255 thousand. Expressed as a percentage of revenue, total expenses represent 48% of total Fund revenues for the Quarter and 49% of total Fund revenue for the nine months ended September 30, 2004. This compares to the previous quarter where total expenses were \$3.0 million or 49% of revenues and the year ended December 31, 2003 where total expenses represented 53% of total Fund revenues. Continued revenue growth combined with steadfast expense control has provided a steady reduction to operating expenses as a percentage of total revenue.

Salaries and wages – for the Quarter totaled \$1.38 million, an increase of \$75 thousand from the previous quarter. A full time sales and marketing position was added and is cost shared by our hotel and casino in Grande Prairie. AGLC regulations now require a full time pit supervisor. This position has been added for both casinos. In addition, dealers who stay for a period of 90 days following training are now being paid for their training hours in an effort to retain staff. Increased staffing for additional slot machines and a general increase in slot staff at Boomtown where we had previously been running very lean account for the increases in labour costs. Staffing levels are now at appropriate levels for current and expected near term business volume.

Marketing and promotion – expenses have been nearly doubled from expenditure levels in the first quarter totaling \$198 thousand for the Quarter. Management is making a concerted effort to improve the quality of our

promotions by being more targeted in their approach and more professional in design. The addition of a full time sales and marketing position is allowing us to make more individual contact with target groups. Once in the facilities, individuals are given more personalized attention including promotional food and beverages to make the experience a positive one. This, we believe, is encouraging longer stays and increasing the traffic past gaming tables and slot machines.

Operating – expenses dropped to \$570 thousand for the quarter from \$633 thousand in quarter two. The \$63 thousand reduction is due almost entirely to reductions in our facility lease for Boomtown Casino. Lease amounts for Boomtown are calculated as a fixed base amount plus a % of revenue over a specified threshold. The annual term of the lease is June 1 to May 31. Casino revenues usually surpass the threshold at which % revenue calculations are added to the base at about mid way during the term. As a result, lease expenses are reduced in the second half of the fiscal year to fixed base amounts only.

General and administrative – expenses for the Quarter totaled \$190 thousand. This is approximately \$22 thousand less than the average expenses incurred in the first two quarters and is explained largely by the absence of costs associated with the preparation and distribution of annual report and proxy related materials incurred during the first two quarters.

Amortization – of \$256 thousand was expensed for the Quarter. Amortization based on existing working assets at scheduled depreciation rates is expensed evenly over the fiscal year for accounting purposes and adjusted for additions/deletions at year end.

Net Earnings

Net earnings for the Quarter before amortization and income allocated to Class B Unitholders (EDITDA) totaled a record \$3.52 million or 56.3% (EBITDA margin) on all revenues. For comparative purposes EBITDA and EBITDA margins for the previous quarter were \$3.43 million and 55.6% respectively and for the seven months ended December 31, 2003 were \$6.4 million and 51%. respectively. This statistic has shown consecutive quarterly improvement since inception of the Fund.

Quarterly Summary

	2004			2003	
	Q3	Q2	Q1	Q4	¹ Q3
In thousands of dollars except per unit amts					
Total revenue	\$ 6,251	\$ 6,175	\$ 6,076	\$ 5,554	\$ 6,976
Net income	\$ 1,501	\$ 1,471	\$ 1,372	\$ 1,106	\$ 1,588
Net income per unit	\$0.462	\$0.453	\$0.422	\$0.341	\$0.489

¹ Reporting period includes 4 months from June 1, 2003 thru September 30, 2003

Liquidity and Capital Resources

Assets total \$72.5 million for Fund at the end of the Period, an increase of \$1.2 million for the Period. Cash and cash equivalents total \$5 million versus \$4.1 million at the end of the prior year.

At the end of the Period the Fund has no debt. However, the Fund as part of its contributing responsibility in the Joint Venture has secured a term loan in the amount of \$7,000,000 from the Canadian Western Bank (“CWB”).



The loan will be advanced based on a loan distribution schedule set in accordance with the Joint Venture's cash requirements. Interest will float at a rate of 1.5% above the CWB prime lending rate. The loan will mature 30 months from the date of the initial advance. The Fund cancelled a \$250 thousand dollar credit facility with the Royal Bank of Canada in order to remove their priority status as secured creditor in favour of CWB as required by conditions of the new term loan.

The Fund is required by the AGLC to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP") to support its gaming operations. The \$7 million credit facility with CWB is considered working capital for the purpose of calculating MCNWCP. The Fund generated sufficient cash during the Quarter to meet all cash obligations including those of the Joint Venture. As a result, we did not draw on our term loan during the quarter. The first expected draw will take place in mid November.

Capital Expenditures

Capital Expenditures for the Period total \$2.3 million and for the Quarter \$1.2 million. Except for \$71 thousand in expenditures for various furniture and fixtures, the balance of these totals were made or accrued to honor the Fund's financial obligation to the Joint Venture.

Distributable Cash

The Fund's mandate is to make consistent monthly cash payments to our unitholders based on management's projections of the year's distributable cash. Distributable cash is defined as net income determined in accordance with Canadian Generally Accepted Accounting Principles (GAAP), subject to certain adjustments as set out in the Declaration of Trust, including:

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

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

Gamehost Income Fund announced monthly distributions of \$0.12 per unit for each month during the Period. A further distribution of the same amount was declared for the month of October 2004. Declared monthly distributions are paid on or about the 15th of the month following declaration. Management believes the current monthly distribution is sustainable for the foreseeable future.

During the Period the Fund generated \$7.96 million (\$1.132/unit) in distributable cash and declared distributions of \$7.6 million (\$1.08/unit). The excess in distributable cash for the period totaled \$364 thousand (\$0.052/unit). The Fund now carries excess distributable cash of \$1.04 million (\$0.148/unit) which is expected to be used in ongoing funding requirements of the Joint Venture.

Unitholders should be aware that the reduction to distributable cash made by capital expenditures does not equate to a reduction to taxable income. Only to the extent that those capital assets can be amortized reduces the Funds taxable position. Management is currently assessing available amortizations and other options with the intent to minimize or eliminate taxes to the Fund.

Summary of Distributable Cash

For the nine months ended September 30, 2004

	Class B Limited Partners		Unitholders	Total
Distributable cash surplus - opening	363,726	312,020		675,746
Distributable cash surplus/unit - opening	\$ 0.096	\$ 0.096	\$	0.096
Net earnings for the period	5,091,640	4,366,099		9,457,739
Add:				
Amortization of property, plant & equipment	413,851	354,879		768,730
Capital expenditures	(1,218,595)	(1,044,950)		(2,263,545)
Distributable cash generated	\$ 4,286,896	\$ 3,676,028	\$	7,962,924
Distributable cash generated/unit	\$ 1.132	\$ 1.132	\$	1.132
Distributions declared	\$ 4,090,824	\$ 3,507,895	\$	7,598,719
Distributions declared/unit	\$ 1.080	\$ 1.080	\$	1.080
Distributable cash surplus	\$ 196,072	\$ 168,132	\$	364,204
Distributable cash surplus/unit	\$ 0.052	\$ 0.052	\$	0.052
Distributable cash surplus- closing	\$ 599,798	\$ 480,152	\$	1,039,950
Distributable cash surplus/unit- closing	\$ 0.148	\$ 0.148	\$	0.148

Business Risks and Outlook

The energy and construction sectors of northern Alberta continue to perform at or near record levels. Early indications are for near record revenue generation for the Fund as well for the month of October. November is expected to generate average revenue with less than average revenues in December due to Christmas falling on a weekend and only three other weekends in the calendar month.

Management continues to devote a great deal of effort to Joint Venture construction project in Calgary. Construction is proceeding normally and efforts are beginning for the operational aspects of the project. Management believes the project will have a positive effect on the performance of the Fund from the outset of operations.

During the quarter, an application for a competing traditional casino license for Grande Prairie was denied by the AGLC citing insufficient market capacity in the area to support a second casino.

Summary of Ownership Interest

nine months ended September 30, 2004

	Class B Limited Partners	Unitholders	Total
Balance at the beginning of the period	\$ 37,970,276	\$ 30,200,980	\$ 68,171,256
Reorganization costs	-	27,679	27,679
Net income	5,091,640	4,366,099	9,457,739
Distributions to unitholders	(4,090,824)	(3,507,895)	(7,598,719)
Balance at the end of the period	<u>\$ 38,971,092</u>	<u>\$ 31,086,863</u>	<u>\$ 70,057,955</u>

Forward-looking Statements

This management's discussion and analysis contains 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 managements 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. The reader is cautioned that the Fund can not assure that actual results will be consistent with these forward-looking statements.

November 8, 2004