**2007 Third Quarter**
**Management's Discussion and Analysis**
**for the nine month period ended September 30, 2007**

# To Our Unit Holders

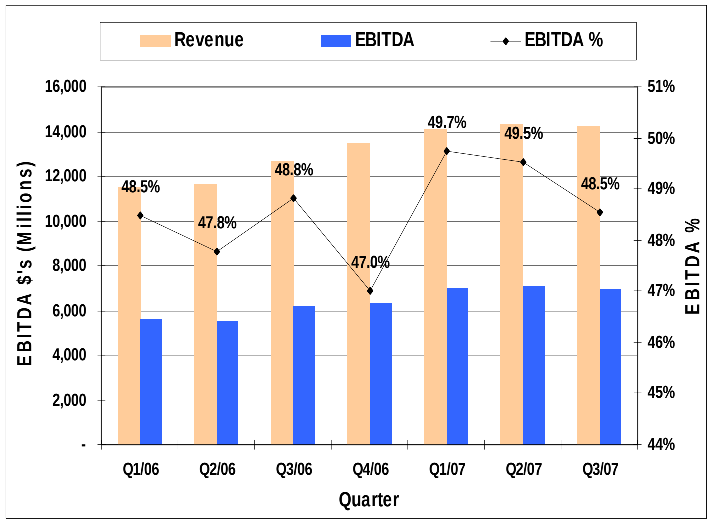
Q3 2007 revenue's were just shy of our previous record quarterly revenue posting in Q2 2007. We are pleased to present favourable results for the nine and three months ended September 30, 2007 (respectively the "Period" and "Quarter").

## Little Train That Could

Revenues for the Period total $42.7 million up 19.3% over the $35.8 million posted in 2006. Revenues for the Quarter total $14.3 million up 12.7% over the $12.7 million posted in 2006.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the Period total $21.0 million up 21.5% over the $17.3 million recorded in 2006. EBITDA for the Quarter total $6.9 million up 12.1% over the $6.2 million recorded in 2006 but down 2.4% from the previous quarters $7.1 million.

EBITDA margins for the Period of 49.3% compare to 48.4% in 2006, an improvement of 0.9%. EBITDA margins for the Quarter of 48.5% compare to 48.8% in 2006, a reduction of 0.3%. At this point in 2006 the Deerfoot Joint Venture contributed 18.5% of total Fund Revenue. For the Period, the Deerfoot Joint Venture's contribution to Fund revenue was 29.1% signaling the growth rate of this property in relation to the balance of Fund properties. EBITDA margin % at the Deerfoot Joint Venture also continues to improve. Our push is to get the Fund to an overall 50% EBITDA.




## Grande Prairie

Depressed commodity prices for natural gas have created a general slowdown in the natural gas sector which persists. Furthermore, Grande Prairie had a wet summer hampering the energy industry from accessing drilling sites. Grande Prairie is also heavily dependant on the forestry industry which has been feeling the effects of the USA sub-prime mortgage meltdown as well as the high Canadian dollar.

In light of these conditions, we are pleased with management's success at maintaining revenue. While revenues at Service Plus Inns & Suites fell back to 2006 levels during the Quarter management has retained more than their share of the reduced market. Occupancy is holding above 80%. There has been no movement in the market area to reduce rates. The Great Northern Casino experienced a down Quarter in gaming activity. We are pleased with operational management's efforts to maintain revenue in light of local economic conditions. Management has spent money in the right places in order to maintain revenue and is now focused on cost reduction measures in discretionary spending to maintain margins.

Alberta's new Tobacco Reduction Act was passed November 14, 2007. A province-wide smoking ban in all public places and workplaces will take effect January 1, 2008. The Act will also prohibit smoking within a specified distance from the windows, doorways and air intakes of public places to protect indoor air quality. This will have an adverse impact on the Great Northern Casino similar to that experienced in other jurisdictions.

The Great Northern casino is scheduled for a ticket in/ticket out ("TITO") conversion of the facilities slot machines in spring of 2008. We know from experience that conversion to TITO has a positive impact on cash play and corresponding operator margins. This will work to offset the impact of non-smoking.

### Ft. McMurray

Revenues at Boomtown Casino were lower for the Quarter. Following growth in July and August the effects of a September 1 smoking ban applied some braking. The initial reduction to cash play on slot machines was 19% for September. October saw a recovery of half of that reduction due to the conversion to TITO technology which was completed in October. TITO to date is credited with recovering 90% of the initial reduction in gaming activity due to non-smoking. Ft. McMurray residents seem, quicker than most, resigning themselves to a smoke free city. Ft. McMurray, in oil sands rich northern Alberta is not affected by the pressures on the natural gas market. Instead they are reaping the benefits of record high oil prices. The labour market remains tight, but manageable.

### Calgary

The Deerfoot Inn & Casino, a joint venture 40% owned by the Fund continues to benefit from Calgary's reputation as one of the fastest growing cities in Canada. Year over year Period growth in revenue and EBITDA totaled 42% and 92% respectively. The Deerfoot Joint Venture successfully completed a conversion of slot equipment to TITO technology in July. Prior to conversion, the property had experienced an average monthly growth rate of 3% in slot play. In the first month following conversion slot play jumped to 10% showing the immediate favourable impact to slot activity. Cost efficiencies associated with TITO continue to accrue to the operation monthly. The Deerfoot Joint Venture received an additional 22 slot machines during the Quarter.

The new provincial smoking ban is simply an overlay of a city of Calgary non-smoking bylaw that was also to come into effect January 1, 2008. Despite the new smoking ban, management is very optimistic about the growth potential at the Deerfoot Joint Venture. The property is situated in the fastest growing quadrant of the city and close neighbor to large scale commercial/residential development currently underway. The Quarry Park development includes 1.5 million square feet of suburban office space of which 350,000 square feet is slated for May 2008 occupancy by an anchor tenant. The development also includes 3,000 residential units and 200,000 square feet of retail. All in all, this new development should be very positive in terms of increased traffic through the Deerfoot Joint Venture.

### Royalty Review

Recent announcements by the Provincial government regarding the review of royalties paid by the energy industry will have some repercussions for the provincial economy. Calgary is home to the corporate offices of Canada's energy industry. Responses to the government's announcement are being debated in their boardrooms. The impact of these responses, if any, on the Fund's business will be monitored closely.

### Staying Regular

In some areas of life, regular is exactly what you want to be. That's why we announce "regular monthly distributions". Paid on or before the 15th of every month following declaration, Gamehost Income Fund distributions are regular. For each month during the Quarter the Fund declared regular monthly cash distributions of $0.20 per unit. Total declared regular monthly distributions for the Period were $1.75 per unit for a payout ratio of distributable cash from operations of 69.3%. Over the same period in 2006, declared regular monthly distributions totaled $1.26 per unit for a payout ratio of 69.6%. The Fund has increased regular monthly distributions twice since inception.

## Twiddling Thumbs?

On June 12, 2007, the Federal government's Bill C-52 passed into law. The bill introduced taxes on income trusts effective in 2011. Management of the Fund has been busy evaluating all possibilities in response to this bill. Pursuing a path that targets the best interests of all unitholders will be at the forefront of any actions recommended.

## Home Stretch

We are an energy dependant society. Accordingly, the oil patch will always attract headlines. Alberta's economy has diversified, however. Demographics are shifting. Residents have more disposable income than ever before in our history. Hospitality, entertainment, and gaming have become an integral part of Albertan's lives. As we move through the fourth quarter we see many reasons to be optimistic. Win, place or show, stick around for a strong finish!

November 28, 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 nine month period ended September 30, 2007

November 28, 2007

This Management's discussion and analysis ("MD&A") of operating results and financial position should be read in conjunction with the unaudited consolidated interim financial statements ("Financial Statements") for Gamehost Income Fund (the "Fund") for the nine month period ended September 30, 2007 (the "Period") and three month period ended September 30, 2007 (the "Quarter") as well as the audited Financial Statements for the year ended December 31, 2006. Financial Statements are reported in Canadian dollars and have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

This MD&A focuses on year over year comparative results for the Quarter and comparison of the Quarter to results in the immediately preceding quarter. Readers are directed to MD&A in prior interim reports for specific discussion of results of previous quarters. Previous financial reports and other disclosures of the Fund can be found on SEDAR at www.sedar.com.

## Caution to the Reader

### No Auditor Review

Period and quarterly figures and comparisons contained in this MD&A have not been independently audited or reviewed by the Fund's external auditors.

### Use of Non-GAAP Financial Measures

This MD&A makes reference to financial measures that do not have any standardized meaning prescribed by GAAP. Specifically, the MD&A may reference Earnings before interest, taxes, depreciation and amortization ("EBITDA") or "distributable cash from operations" which are both non-GAAP financial measures.

EBITDA is a commonly used measure of financial performance by the broader financial community. Management believes that EBITDA provides information to the reader on the Fund's performance in generating cash from normal operations before any financing costs associated with generating those earnings. The Fund's means of financing can change over time at the discretion of management. As such, EBITDA can assist the reader in assessing not only the Fund's performance in generating cash, but also the Fund's ability to meet current or future financing obligations. There is no standardized meaning prescribed by GAAP for EBITDA. Comparing EBITDA of the Fund to EBITDA reported by other issuers can be misleading. EBITDA should not be relied upon as a sole measure of performance. A reconciliation between EBITDA and net earnings as defined by GAAP can be found on page 16 of this MD&A.

Distributable cash from operations may be referenced throughout this MD&A. As an income trust, the Fund uses this measure of performance to assist the reader in determining the Fund's past performance and future ability to provide cash for distribution to unitholders. There is no standardized meaning prescribed by GAAP for distributable cash from operations and its application and interpretation vary widely from issuer to issuer. The Fund has adopted guidelines for reporting distributable cash from operations from an Interpretive Release issued by the CICA. Reporting of distributable cash from operations continues to evolve. Regulatory disclosure, once finalized, may differ from our current disclosure. Measurement of distributable cash from operations in this report may not be comparable to that of other issuers. A reconciliation of distributable cash from operations to cash from operating activities as reported on the interim consolidated statements of cash flow can be found on page 20 of this MD&A.

### Forward Looking Statements

This MD&A 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. Forward looking statements have risks and uncertainties of varying significance. Management attempts to minimize the use of forward looking statements. Any use of forward looking statements reflect reasonable assumptions made on the basis of management’s current beliefs with information known by management at the time of writing. Factors that may affect results include, but not limited to, governmental legislation and regulation at the national, provincial or municipal level, general or local business and economic conditions, the good standing of business, gaming and liquor licenses, competition, consumer preferences and disposable incomes, demographic shifts and weather patterns. Any number of these factors could cause actual results to differ from the results discussed in forward-looking statements. As a result, actual results may not be consistent with these forward-looking statements. Additional information about these risks and any management assumptions of risk can be found in the Business Risks and Opportunities section at the end of this MD&A.

### 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 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.

## 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. There has been no change in the number of units issued or outstanding during the Period.

## Overview of the Fund

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”), in Calgary.

Including the Fund’s proportionate share of the Deerfoot Joint Venture, gaming operations of the Fund operated 1,066 slot machines and 45 table games at the end of the Period. With the Fund’s proportionate share of the Deerfoot Joint Venture the Fund operated 198 hotel guest rooms in addition to complimentary food and beverage outlets.

Management believes in a combined entertainment and hospitality model. Our 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 unit holders by way of regular monthly cash distributions.

## Selected Annual Information

| Selected Annual Information | December 31 (twelve months) | | |
|---|---|---|---|
| | 2006 | 2005 | 2004 |
| **Revenue** | 49,293.6 | 31,085.5 | 25,426.4 |
| **Net earnings** [1] | 21,178.6 | 15,340.3 | 12,726.5 |
| **Net earnings/unit** [2] | $ 3.010 | $ 2.180 | $ 1.809 |
| **Total assets** | 91,682.3 | 92,403.4 | 76,500.6 |
| **Total long term liabilities** | - | - | - |
| **Cash distributions declared/unit** [3] | $ 2.780 | $ 2.030 | $ 1.720 |

**(in thousands of dollars unless stated otherwise)**

1 Before earning allocation to Class B Limited Partners. There were no discontinued operations or extraordinary items

2 Basic and fully diluted

3 Equal for both Fund Units and Class B Limited Partnership Units

Over the selected annual periods organic growth has played a major role in the ongoing success of the Fund. All business segments of the Fund including food & beverage, hotel and gaming operations have made significant contributions. The Fund is a 40% joint venture owner of Deerfoot Inn & Casino which celebrated its grand opening in November of 2005. In early 2006, the Fund completed an expansion of Boomtown Casino effectively doubling its size. These expansions and organic growth coincided with slot machines increasing from 499 machines to 1,066 machines and gaming tables increasing from 32 tables to 45 tables. The Fund's success has been assisted by a strong Alberta economy, a growing population and higher than average disposable incomes.

Unless otherwise stated, all figures and results presented in this MD&A include only the Fund's 40% Participating Interest in the assets, liabilities, equity and operating results of the Deerfoot Joint Venture.

## Overall Financial Results and Condition of the Fund

At the end of the Period the Fund had $91.7 million in total assets equal to the total assets at the start of the year. Excepting a one time $3.5 million non-cash write down of licenses as a result of a change in accounting estimate, assets would have posted a 3.8% increase. The Fund maintained a conservative 69.3% payout ratio on distributable cash from operations resulting in cash and cash equivalent balances increasing $4.8 million or 60% during the Period.

A general slowdown in the natural gas sector and a depressed forestry sector has resulted in less activity in one locale in which the Fund operates. The effects of royalty rate changes announced for the Alberta energy sector are as yet too early to predict. Negative effects from smoking bylaws planned and already implemented seem to be offset by ticket in/ticket out ("TITO") technology being rolled out by the Alberta Gaming and Liquour Commission. Management anticipates no adverse impact on the Fund's ability to generate cash or on its pattern of cash distributions from these factors in the short term. The June 12, 2007 passing of the Federal government's tax on income trusts will, however, have an adverse impact on the Fund. Management is confident that current rates of distribution are sustainable. The growth rate in distributions, however, will be tempered. Dependant on the Fund's response to the impending tax there may be one time costs incurred prior to the effective date of the tax. These costs, if any, can not be estimated with any degree of certainty.

## Quarterly Performance Summary

| Quarterly Performance | 2007 | | | 2006 | | | | 2005 |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| **Total revenue** | **14,280** | 14,345 | 14,083 | 13,485 | 12,673 | 11,624 | 11,512 | 9,374 |
| **Expenses** | **7,347** | 7,239 | 7,079 | 7,144 | 6,486 | 6,071 | 5,930 | 5,133 |
| **EBITDA [1]** | **6,933** | 7,106 | 7,004 | 6,341 | 6,186 | 5,553 | 5,581 | 4,241 |
| **EBITDA %** | **48.5%** | 49.5% | 49.7% | 47.0% | 48.8% | 47.8% | 48.5% | 45.2% |
| **Net earnings [2]** | **132** | 6,268 | 6,186 | 5,445 | 5,264 | 4,593 | 4,708 | 3,858 |
| **Net earnings %** | **0.9%** | 43.7% | 43.9% | 40.4% | 41.5% | 39.5% | 40.9% | 41.2% |
| **Net earnings per unit [3]** | **$0.037** | $0.891 | $0.879 | $0.774 | $0.748 | $0.653 | $0.669 | $0.548 |

**(in thousands of dollars unless stated otherwise)**

1 EBITDA is not a defined measure under Canadian GAAP. See Caution to Reader under MD&A.

2 Before earnings allocation to Class B Limited Partners. There were no extraordinary items or discontinued operations.

3 Basic and fully diluted, all classes

## Revenues

### Total Revenue

| Total Revenue | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | +(-) | 2007 | 2006 | +(-) | Q2 2007 | +(-) |
| **Total Revenue** | **42,708.2** | 35,808.5 | 19.3% | **14,279.9** | 12,673.0 | 12.7% | 14,345.0 | (0.5%) |

**(in thousands of dollars unless stated otherwise)**

Results were mixed during the Quarter with Grande Prairie and Boomtown Casino properties reporting flat to lower results while the Deerfoot Joint Venture posted respectable growth compared to the previous 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 | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | +(-) | 2007 | 2006 | +(-) | Q2 2007 | +(-) |
| **Rooming** | **6,549.2** | 5,485.3 | 19.4% | **2,267.7** | 2,116.0 | 7.2% | 2,044.2 | 10.9% |
| **Occupancy** | **79.8%** | 80.1% | (0.3%) | **79.3%** | 87.7% | (8.4%) | 74.9% | 4.4% |
| **Average Rate** | **$148.57** | $124.22 | 19.6% | **$150.66** | $130.45 | 15.5% | $148.53 | 1.4% |

**(in thousands of dollars unless stated otherwise)**

Overall room revenue for the Quarter over the previous year rose despite a reduction in occupancy at the Fund’s Service Plus property. Continued occupancy growth during the Quarter at the Deerfoot Joint Venture together with higher ADR’s for both properties was more than ample to make up for an overall reduction in occupancy.

Occupancy during the Quarter at Service Plus in Grande Prairie was off 15% from a year earlier, but still a respectable 77%. Depressed natural gas prices are to blame for a general slowdown in local energy activity. Compounding this was overly wet weather during the summer which kept drilling rigs and service equipment away from sites. On a positive note, there has been no indication that the local market will cut room rates. This is encouraging especially given the addition of new room capacity added in the market area over the last two quarters. Our study of the current conditions indicates we have retained more than our share of the reduced market. With the arrival of seasonal cooler temperatures and freeze up occupancies are expected to improve moderately.

The Deerfoot Joint Venture continues to make steady gains. Occupancy levels climbed past 82% for the Quarter an improvement of 1% over a year earlier and 2.7% over the previous quarter. A number of rate increases over the past twelve months together with seasonal adjustments during the week of the Calgary Exhibition & Stampede pushed ADR for the Quarter up 17.5% over the previous year and 7.5% higher than the previous quarter. The property is becoming firmly entrenched in the local SE Calgary community.

## 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 operator’s percentage of the hold is the ‘Net’. 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 in varying percentages between the charity and casino operator dependant on agreements with the Alberta Gaming and Liquor Commission. The operator’s percentage of the rake is the ‘Net’. Financial statements of the Fund report only the net of the hold or rake.

| Table Games | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **All Others** | **5,043.1** | 4,250.4 | 18.6% | **1,605.9** | 1,365.3 | 17.6% | 1,682.3 | (4.5%) |
| **Poker** | **811.5** | 664.1 | 22.2% | **271.3** | 234.6 | 15.6% | 263.4 | 3.0% |
| **Caribbean Stud** | **155.3** | 180.2 | (13.8%) | **50.9** | 57.2 | (10.9%) | 52.3 | (2.5%) |
| | **6,009.9** | 5,094.7 | 18.0% | **1,928.1** | 1,657.1 | 16.4% | 1,997.9 | (3.5%) |

**(in thousands of dollars unless stated otherwise)**

Mixed results from property to property resulted in overall table drops of 3.5% higher than the previous quarter while total hold was lower by 4.5%. The Deerfoot carries the bulk of total table play. Hold’s there during the Quarter were down by 8.5% while their drop was 8% higher compared to very strong results the previous quarter.

Compared to the previous quarter, Boomtown Casino made a positive contribution to net results while Great Northern Casino was generally lower in drop, hold and net amounts.

| Tables (# of) | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **All Others** | **33.0** | 33.0 | 0.0% | **33.0** | 33.0 | 0.0% | 33.0 | 0.0% |
| **Poker** | **9.2** | 9.2 | 0.0% | **9.2** | 9.2 | 0.0% | 9.2 | 0.0% |
| **Caribbean Stud** | **2.4** | 2.4 | 0.0% | **2.4** | 2.4 | 0.0% | 2.4 | 0.0% |
| | **44.6** | 44.6 | 0.0% | **44.6** | 44.6 | 0.0% | 44.6 | 0.0% |

**(in thousands of dollars unless stated otherwise)**

## 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 number of hours each machine operates and how much money is played on a machine ('Cash Play') during hours of operation.

| **Slot Machine** | **Q3 (nine months)** | | | **Q3 (three months)** | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Net Revenue** | **17,392.2** | 15,071.0 | 15.4% | **5,954.3** | 5,302.8 | 12.3% | 5,952.1 | 0.0% |
| **Machines** [1] | **1,066.4** | 1,034.0 | 32.4 | **1,066.4** | 1,034.0 | 32.4 | 1,057.6 | 8.8 |

**(in thousands of dollars unless stated otherwise)**

[1] At the end of the Period or Quarter

Total cash play increased for both the Period and Quarter compared to 2006 by 15.4% and 11% respectively, but declined marginally by 1.7% during the Quarter from the previous quarter.

The Great Northern Casino in Grande Prairie recorded lower slot activity for the Period and Quarter year over year and compared to the previous quarter. Results were down on average 6% to 7%. Grande Prairie is experiencing a general slowdown in the natural gas sector as a result of low commodity prices and uncertainty surrounding a royalty review by the provincial government. The forestry industry, also a significant component of the local economy, is suffering from the effects of a high Canadian dollar and a slowdown in the US housing industry.

Boomtown Casino in Ft. McMurray posted strong gains of 21% and 16% respectively for Period and Quarter year over year growth. Quarter results compared to the previous quarter were 5% lower as a result of a city wide smoking ban effective September 1, 2007. Industry experience from smoking bans indicate initial drops of approximately 18% in slot activity. Results at Boomtown matched these expectations in September. TITO technology for slots was implemented at Boomtown during October. TITO is generally expected to increase slot activity while delivering cost efficiencies to the operator. October results bear this out as the reductions in September slot activity were cut in half during October. Management expects the reduced activity to be short lived. Operating hours for the Boomtown Casino have been extended by 8 hours/week beginning November 2007.

The Deerfoot Joint Venture made gains all round in slot activity. Gains year over year for the Period averaged 44%, gains year over year for the Quarter averaged 39% and gains for Quarter over the previous quarter averaged 14%. The Deerfoot Joint Venture is benefiting from a TITO implementation completed in July and general economic prosperity and population growth in Calgary. The property also received 22 additional slot machines from the Alberta Gaming and Liquor Commission during the Quarter. The Deerfoot Joint Venture now operates 671 slot machines.

## 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 | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Food & mix** | **2,759.6** | 2,203.9 | 25.2% | **866.1** | 745.7 | 16.1% | 937.2 | (7.6%) |
| **Liquor** | **6,180.1** | 4,862.6 | 27.1% | **1,974.9** | 1,729.7 | 14.2% | 2,082.5 | (5.2%) |
| | **8,939.8** | 7,066.5 | 26.5% | **2,841.1** | 2,475.4 | 14.8% | 3,019.7 | (5.9%) |

**(in thousands of dollars unless stated otherwise)**

Food & beverage operations continued to post respectable revenue growth year over year. Compared to the previous quarter however, all properties experienced a minor reduction in sales.

Great Northern Casino suffered from unseasonably wet weather in Grande Prairie during the summer reducing overall foot traffic and curbing demand. Boomtown, gave up gains made in July and August when the Ft. McMurray smoking ban came into effect September 1.

Deerfoot results for the Quarter were marginally lower than the previous quarter. Corporate banquets were lower during the summer months as expected and this slack was not completely offset by traditionally higher wedding banquets.

## 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 | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **239.0** | 236.8 | 0.9% | **79.7** | 83.8 | (4.9%) | 79.7 | 0.0% |

**(in thousands of dollars unless stated otherwise)**

## Other Revenue

Other revenue includes the more significant items of automated teller (ATM) fees, ticket sales, interest on bank balances, cigarette sales, equipment rentals, movie rentals and other room charges to hotel guests.

| Other | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **3,578.1** | 2,854.3 | 25.4% | **1,209.0** | 1,038.3 | 16.4% | 1,251.4 | (3.4%) |

**(in thousands of dollars unless stated otherwise)**

Other revenues generally follow the patterns set by gaming and F&B activity at the Fund's casinos. Accordingly, other revenues recorded year over year gains for the Period and Quarter. Similarly, results for the Quarter versus the previous quarter recorded a moderate decline.

# Expenses

## Total Expenses

| Total Expenses | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **29,994.7** | 21,243.3 | 41.2% | **14,020.5** | 7,408.6 | 89.2% | 8,077.3 | 73.6% |
| **% of Revenues** | **70.2%** | 59.8% | 10.4% | **98.2%** | 58.5% | 39.7% | 56.3% | 41.9% |

**(in thousands of dollars unless stated otherwise)**

During the Quarter management recorded a future tax liability of $2.34 million which is discussed in detail later in this MD&A. Management also changed their estimate of the useful life of gaming licenses and recorded a one time non-cash charge of $3.5 million during the Quarter. This too is discussed in detail further on in this MD&A.

## Cost of Sales

Cost of sales will for the most part follow the performance of F&B revenue. Other cost of sales are made up of mostly room service charges in the hotel for such items as long distance telephone, movie rentals, laundry etc. Their corresponding revenues are included in Other Revenue. Cost of sales as a percentage of corresponding revenues can fluctuate moderately depending on the sales mix of individual products.

| Cost of Sales | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Food & mix** | **1,329** | 1,195 | 11.2% | **413** | 389 | 6.0% | 457 | (9.7%) |
| **Liquor** | **1,364** | 1,179 | 15.7% | **433** | 398 | 8.8% | 464 | (6.8%) |
| **Other** | **247** | 230 | 7.7% | **78** | 90 | (13.1%) | 80 | (3.0%) |
| **Total** | **2,940** | 2,604 | 12.9% | **923** | 876 | 5.3% | 1,001 | (7.8%) |

| Cost of Sales % | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Food & mix** | **48.2%** | 54.2% | (6.1%) | **47.7%** | 52.2% | (4.6%) | 48.7% | (1.1%) |
| **Liquor** | **22.1%** | 24.2% | (2.2%) | **21.9%** | 23.0% | (1.1%) | 22.3% | (0.4%) |
| **Other** | **64.7%** | 79.0% | (14.3%) | **65.9%** | 81.2% | (15.3%) | 59.7% | 6.2% |

**(in thousands of dollars unless stated otherwise)**

Cost of sales as a percentage of related sales improved across the board for food & mix and liquor items largely due to price increases instituted over the Period.

## 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 | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | +(-) | 2007 | 2006 | +(-) | Q2 2007 | +(-) |
| Operations | 9,431.9 | 8,309.1 | 13.5% | 3,135.2 | 2,869.3 | 9.3% | 3,250.5 | (3.5%) |
| General admin | 320.4 | 347.1 | (7.7%) | 103.8 | 140.7 | (26.2%) | 104.6 | (0.7%) |
| Trustee fees | 109.0 | 113.8 | (4.2%) | 37.5 | 41.8 | (10.3%) | 35.5 | 5.6% |
| Management fees | 977.5 | 562.4 | 73.8% | 337.8 | 179.1 | 88.6% | 304.9 | 10.8% |
| Total | 10,838.7 | 9,332.4 | 16.1% | 3,614.3 | 3,230.9 | 11.9% | 3,695.5 | (2.2%) |
| % of Revenues | 25.4% | 26.1% | (0.7%) | 25.3% | 25.5% | (0.2%) | 25.8% | (0.5%) |

**(in thousands of dollars unless stated otherwise)**

Overall year over year comparative human resource costs reflect the increased operational activity that is also reflected in revenues. Revenue growth, however, has also produced efficiencies that are lowering the overall human resource costs as a percentage of overall revenue. Reductions in total human resource costs as a percentage of total revenue for the Quarter compared to the previous quarter can be attributed to TITO implementation during July at the Deerfoot Joint Venture.

TITO implementation will continue to accrue benefits to overall human resource efficiencies beyond slot departments. Boomtown Casino completed TITO conversion in October and Great Northern Casino is scheduled for March 2008. Slot staff at the Deerfoot Joint Venture that would otherwise be surplus following TITO implementation, have been transferred to other departments as they gear up for the Christmas banquet season.

Management fees are based on a % of revenue and/or EBITDA. Year over year increases reflect revenue and EBITDA growth. Adjustments to year to date management fees were recorded during the Quarter to reflect projected annual results.

## Marketing and Promotions

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

| Marketing | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | 2006 | +(-) | 2007 | 2006 | +(-) | Q2 2007 | +(-) |
| Total | 1,609.5 | 1,059.1 | 52.0% | 558.8 | 364.9 | 53.1% | 586.6 | (4.7%) |
| % of Revenues | 3.8% | 3.0% | 0.8% | 3.9% | 2.9% | 1.0% | 4.1% | (0.2%) |

**(in thousands of dollars unless stated otherwise)**

Loyalty programs initiated at the Fund's Deerfoot Joint Venture and Great Northern Casinos account for a significant portion of overall year over year increases in promotional spending.

Reductions in marketing expenses during the Quarter versus the prior quarter reflect an effort to be more focused in directing marketing dollars by taking advantage of loyalty program data.

## Operating Costs

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

| Operating | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **4,749.9** | 4,121.5 | 15.2% | **1,677.9** | 1,550.9 | 8.2% | 1,550.2 | 8.2% |
| **% of Revenues** | **11.1%** | 11.5% | (0.4%) | **11.8%** | 12.2% | (0.5%) | 10.8% | 0.9% |

**(in thousands of dollars unless stated otherwise)**

Lower utility, supplies and R&M expenditures thus far in 2007 allowed for overall year over year reductions in operating expenses as a percentage of total revenue. An increase during the Quarter in operating costs as a percentage of revenue is due to higher entertainment costs during Stampede week at the Deerfoot Joint Venture and higher electrical costs generally during the summer air conditioning period.

## General and Administrative

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

| General & administrative | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **1,526.5** | 1,371.3 | 11.3% | **573.1** | 463.4 | 23.7% | 405.0 | 41.5% |
| **% of Revenues** | **3.6%** | 3.8% | (0.3%) | **4.0%** | 3.7% | 0.4% | 2.8% | 1.2% |

**(in thousands of dollars unless stated otherwise)**

Year over year comparative figures are higher due to a utilization adjustment for the use of charter air services over the period May 2005 through June 2007 totaling $107,000 of which $95,000 was charged to corporate travel.

Compared to the previous quarter, general administrative costs rose on higher corporate travel expenses and legal fees.

## Amortization

| Amortization | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **5,161.1** | 1,807.3 | 185.6% | **4,053.7** | 619.4 | 554.5% | 553.7 | 632.1% |
| **% of Revenues** | **12.1%** | 5.0% | 7.0% | **28.4%** | 4.9% | 23.5% | 3.9% | 24.5% |

**(in thousands of dollars unless stated otherwise)**

The Fund recorded a non-cash charge of $3.5 million for the write down of gaming licenses. Management changed their estimate of the useful life of the licenses which had been carried at their full value since the Fund's inception. The previous estimate was based on an indefinite life for the licenses where in reality the licenses regularly expire and are renewed. Accordingly, management determined that a change in estimate was warranted. Licenses are currently renewable by the Alberta Gaming and Liquor Commission on a three year basis. While they have regularly been renewed the Alberta Gaming and Liquor Commission is not obligated to do so.

## Interest

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

| Interest | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Total** | **832.4** | 947.8 | (12.2%) | **283.2** | 302.7 | (6.4%) | 284.9 | (0.6%) |
| **% of Revenues** | **1.9%** | 2.6% | (0.7%) | **2.0%** | 2.4% | (0.4%) | 2.0% | (0.0%) |

**(in thousands of dollars unless stated otherwise)**

The Fund has a $9.0 million term loan at Canadian Western Bank ("CWB") with revolving terms at bank prime plus 1%. CWB prime was 6.25% at the end of the Period. The loan was originally secured as a interest only term loan so that the Fund could honour its Contributing Interest Responsibility for the capital construction costs of the Deerfoot Joint Venture. The loan was subsequently fully drawn for this purpose. At maturity of the loan it was renegotiated to its present form so that surplus cash generated by the Fund could be applied against the loan and re-advanced to partially finance a planned expansion of the Boomtown Casino. Surplus cash generated by the Fund is routinely applied against the outstanding balance of this loan to reduce ongoing interest expenses. The Fund began the year with $2.0 million outstanding on this loan. In January the available balance of the loan was advanced for the payment of a special distribution declared in December of 2006. The outstanding balance is $7.1 million at the end of the Period.

The Deerfoot Joint Venture has a term loan at CWB at bank prime plus 1% which includes $2.0 million portioned with revolving terms. Regular amortized payments are being made. Surplus cash generated by the Deerfoot Joint Venture is routinely applied against the outstanding balance of the $2.0 million revolving portion of this loan to reduce ongoing interest expenses. The total outstanding balance of this loan at the end of the Period was $19.9 million. The revolving portion included in the preceding total was $nil at the start and throughout the Period. The Fund's 40% participating Interest in these amounts is included in the above table.

## Net Earnings and Reconciliation of EBITA to Net Earnings

| | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **EBITDA** | **21,043.2** | 17,320.4 | 21.5% | **6,932.6** | 6,186.5 | 12.1% | 7,106.3 | (2.4%) |
| Less: | | | | | | | | |
| Amortization on property, plant and equipment | **1,661.1** | 1,807.3 | (8.1%) | **553.7** | 619.4 | (10.6%) | 553.7 | 0.0% |
| Amortization of Licenses | **3,500.0** | - | 100.0% | **3,500.0** | - | 100.0% | - | 100.0% |
| Interest charges | **832.4** | 947.8 | (12.2%) | **283.2** | 302.7 | (6.4%) | 284.9 | (0.6%) |
| Future income tax expense | **2,336.3** | - | 100.0% | **2,336.3** | - | 100.0% | - | 100.0% |
| Allocation to Class B Limited Partners | **6,224.6** | 7,131.2 | (12.7%) | **127.0** | 2,577.5 | (95.1%) | 3,068.7 | (95.9%) |
| **Net Earnings** | **6,488.9** | 7,434.0 | (12.7%) | **132.4** | 2,686.9 | (95.1%) | 3,199.0 | (95.9%) |
| **% of Revenues** | **15.2%** | 20.8% | (5.6%) | **0.9%** | 21.2% | (20.3%) | 22.3% | (21.4%) |
| **Net earnings per unit** [2] | **$1.807** | $2.070 | (26.3%) | **$0.037** | $0.748 | (71.1%) | $0.891 | (85.4%) |

Results include the effects of a one time non-cash charge for the amortization of gaming licenses resulting from a change in estimate. Results also include recognition of a future tax liability resulting from the passing into law of Bill C-52 which taxes the distributions of income trusts effective 2011. The future tax expense is also a non-cash charge. Prior to the effect of these two non-cash charges net earnings for the Period were $8.8 million or $2.458 per unit and for the Quarter $2.5 million or $0.687 per unit.

## Facilities

| Capital Expenditures | Q3 (nine months) | | | Q3 (three months) | | | vs. previous quarter | |
|---|---|---|---|---|---|---|---|---|
| | **2007** | 2006 | +(-) | **2007** | 2006 | +(-) | Q2 2007 | +(-) |
| **Maintenance** | **678.3** | 523.6 | 29.5% | **527.7** | 188.5 | 179.9% | 103.1 | 411.9% |
| **Expansion** | **-** | 1,233.1 | (100.0%) | **-** | - | 0.0% | - | 0.0% |
| | **678.3** | 1,756.7 | (61.4%) | **527.7** | 188.5 | 179.9% | 103.1 | 411.9% |

**(in thousands of dollars unless stated otherwise)**

The above table includes capital maintenance for the Quarter for the Fund's 40% Participating Interest in a $1.2 million purchase of additional land for parking at the Deerfoot Joint Venture. The land had previously been leased on monthly terms with an option to purchase pending a successful rezoning which concluded during the Quarter. The balance of capital maintenance spending for the Quarter was for leasehold improvements at Boomtown Casino.

## Financial Condition

## Liquidity

The Fund generated $20.3 million in cash provided by operating activities for the Period, an increase of 36.2% compared to $14.9 million in 2006. For the Quarter, cash provided by operating activities totaled $7.0 million, an increase of 12.9% compared to $6.2 million in 2006. At the end of the Period cash and cash equivalent balances totaled $12.9 million. Factors affecting the Fund's ability to generate cash in the near and longer terms were listed in the section 'Forward Looking Statements'. These factors are discussed in more specific terms in the section 'Business Risks and Outlook'. Management does not believe any of these factors will have an adverse affect on the Fund's ability to sustain current cash distributions with cash flow from operations in the near term.

The change in tax status for income trusts brought on by the passing of Bill C-52 will reduce the amount of cash available for distribution to unitholders effective January 1, 2011. From that date forward distributions from the Fund will be subject to a 31.5% tax at the Fund level. Also from that date forward, distributions from the Fund will no longer be treated as income in the hands of unitholders, but instead will receive the more favourable dividend status for tax purposes.

The Fund's cash and cash equivalent balances are made up of cash and traditional bank balances only. The Fund has no exposure to asset backed commercial paper ("ABCP").

Working capital, by definition, is current assets minus current liabilities. The Fund's term debt includes a demand clause in the event certain performance covenants are not met. GAAP requires the presentation of the term loans as current liability for financial reporting purposes due to the demand clause. The Fund's lender does not consider non-scheduled payments of the term loans to be current.

Internal working capital requirements for the Fund consists of cash floats for the operation of gaming tables, slot machines, ATM machines, POS terminals and petty cash as well as one months operating expenses, one months debt service and one months regular distribution to the holders of Fund Units less amounts due to related parties. Float amounts are set by management and will fluctuate based on activity levels in the casinos. The Alberta Gaming and Liquor Commission requires the Fund to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP"). MCNWCP differs from the Funds internal calculation only in that it allows for the removal of 50% of distributions to all unitholders of the Fund rather than the Fund's removal of distributions to Class B unitholders. At the end of the Period the Fund had $13.7 million in working capital (available revolving loan funds included) versus an internal working capital requirement of $7.9 million for a surplus of $5.8 million.

The Deerfoot Joint Venture is also required by the Alberta Gaming and Liquor Commission to maintain a MCNWCP. At the end of the Period the Deerfoot Joint Venture had $16.9 million in working capital (available revolving loan funds included) versus an internal working capital requirement of $6.1 million for a surplus of $10.8 million. The Fund's 40% Participating Interest in these working capital figures is included in the working capital figures in the immediately preceding paragraph.

The Fund has a 40% Participating Interest in the operating activities of the Deerfoot Joint Venture. During the Period the Fund received $1.08 million from the Deerfoot Joint Venture representing the Fund's 40% Participating Interest in any cash distributions made by the Deerfoot Joint Venture. The Deerfoot Joint Venture made no cash distributions during the Quarter.

## Distributable Cash from Operations

Distributable cash from operations is not a defined term under Canadian GAAP, and its application and interpretation vary widely from issuer to issuer. The Fund originally defined a calculation of distributable cash in its information circular dated April 22, 2003. In this document, distributable cash is calculated 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.

Most recently, the Canadian Standards Association (the "CSA") proposed amendments to National Policy 41-201 regarding the disclosure of distributable cash. Similarly, the Canadian Institute of Chartered Accountants (the "CICA") in July 2007 issued an interpretive release titled Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities. For both of these governing bodies the intent is to improve on current and varied industry reporting practices. The Fund has adopted the reporting methodology outlined in the CICA's July 2007 interpretive release for reporting distributable cash from operations.

Distribution policy and practice

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's mandate is to make consistent monthly cash payments to unit holders based on management's projections of the year's distributable cash.

The Fund is conservative in the monthly payout ratio of cash distributions to distributable cash from operations throughout the year. This allows the Fund to absorb smaller capital expenditures during the year without additional financing, provides for a reserve in the event funds are required for other purposes during the year and allows for the reduction of revolving loan balances and their associated interest costs. These practices may result in the build up of surplus cash for distribution. In mid December each year management makes earning projections to determine the taxable position of the Fund at December 31. Based on this projection, management will calculate a special distribution recommendation for the approval of trustees to eliminate any potential for taxes in the Fund. The Fund anticipates using all available tax shields each year. In the near term, available tax shield will exceed any normal adjustments made in the calculation of distributable cash from operations. As a result, payout ratios of less than 100% of distributable cash from operations should be expected. Trustees evaluate the special distribution recommendation with special consideration of other factors such as strategic plans of the Fund and Fund unit trading performance.

Productive capacity

The Fund's assets are in land, land improvements, buildings, leasehold improvements, and furniture fixtures and equipment. Current productive capacity of the Fund consists of 123 guest rooms and 1 meeting room at Service Plus, the Fund's 40% Participating Interest in 188 guest rooms, 10 meeting/banquet rooms, 3 restaurants and lounge at the Deerfoot Joint Venture and ancillary amenities for both facilities. Also included in productive capacity are the Fund's interests in three gaming licenses, one each for Boomtown Casino, Great Northern Casino and the Deerfoot Joint Venture. Together these licenses allow the Fund to directly operate 798 slot machines and 31 table games as well as participate 40% in the operation of 671 slot machines and 34 table games at the Deerfoot Joint Venture.

Productive capacity maintenance

Productive capacity maintenance costs for rooming and food and beverage facilities of the Fund are minimal. Maintaining the shine on our properties so that they continue to attract guests is largely one of regular refurbishment of the finishings such as paint or new carpets and beds. For the most part, maintenance costs are treated as operational expenses at the time they are incurred and as such are already included in the periodic cash provided by (used for) operating activities as reported in financial statements. Management may, however, undertake smaller capital projects to be paid from cash generated from operating activities. Examples of these costs include, but are not limited to such things as converting to keyless entry on guest room access doors or the installation of digital security. These capital costs, when funded from operating cash flow, would fall into the category of productive capacity maintenance for the purpose of determining distributable cash from operations.

Liquor sales require the Fund to hold a valid liquor license issued by the Alberta Gaming and Liquor Commission. Productive capacity maintenance of liquor sales is most significantly related to keeping this license in good standing, but requires no capital outlay by the Fund.

Gaming operations of the Fund require minimal capital outlay by the Fund. Slot machines are owned and maintained by the Alberta Gaming and Liquor Commission. Tables are owned and maintained by the by the Fund. Productive capacity maintenance of both tables and slot machines is more significantly measured in terms of maintenance of the Fund's charitable gaming operator licenses issued by the Alberta Gaming and Liquor Commission. Holders of these licenses must adhere to a strict set of terms and conditions. Furthermore, the three year licenses are subject to annual due diligence audits by the Alberta Liquor and Gaming Commission. Maintaining these licenses requires an annual fee to cover the cost of AGLC's due diligence investigation which is expensed. The Fund's charitable gaming operator licenses have consistently received favourable results from investigations conducted by the Alberta Gaming and Liquor Commission.

Average annualized capital costs for productive capacity maintenance should not exceed $200,000 per year for the Fund based on a historical review of these costs.

Discretionary and other items

From time to time, at their discretion, management or trustees may elect to use or reserve cash for other purposes. Capital expansions that will be paid out of operating cash flow and increased floats necessitated by the implementation of TITO, are two recent discretionary uses for cash. Discretionary uses of cash reduce the availability of cash for distribution to unitholders.

Long-term unfunded contractual obligations

The Fund has no long-term unfunded contractual obligations. The Fund does not have a pension plan or stock based compensation plan. The benign nature of the Fund's operations do not require that reserves be set up for environmental cleanup, asset retirement or other real or potential liabilities.

Debt Strategy

The current strategy of the Fund is to minimize debt. Current debt instruments will be maintained or eliminated to the extent they allow for repayment. Debt maintenance includes regular amortized monthly principal payments and intermittent payments/advances on revolving debt instruments.

Financing restrictions on distributions caused by debt covenants

The Fund has, a $9.0 million revolving term loan secured by assets owned by the Fund. This loan has no debt covenants.

A term facility held by the Deerfoot Joint Venture, requires that the Deerfoot Joint venture make amortized monthly principal payments of $240,000 and maintain a debt to equity ratio not greater than 3.00:1.00 and debt service coverage of not less than 1.25:1.00. At the end of the Period the Deerfoot Joint Ventures debt to equity ratio and debt service coverage were both comfortably within covenant requirements.

The Fund is required to maintain a Minimum Continuing Net Working Capital position ("MCNWCP") as stipulated by the Alberta Gaming and Liquor Commission for the purpose of operating table games and AGLC slot machines. All of the Fund's working capital including amounts from hotel and food and beverage activities and available revolving loan amounts are available for use in the calculation of MCNWCP. The Fund regularly maintains a large cushion to the MCNWC requirement.

| **Summary of Distributable Cash from Operations** | **Q3 (nine months)** | | **Q3 (three months)** | | |
|---|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** | **Since Inception** |
| Cash from operating activities (see Statements of Cash Flows) | **$ 20,325** | $ 14,918 | **$ 7,042** | $ 6,235 | $ 79,834 |
| Less adjustment for: | | | | | |
| Productive capacity maintenance | **678** | 380 | **528** | 244 | 1,527 |
| Discretionary and other items | **760** | 1,168 | **760** | (9) | 3,528 |
| Financing restrictions caused by debt covenants | **1,122** | 638 | **354** | 325 | 3,136 |
| Distributable cash from operations | **17,765** | 12,732 | **5,401** | 5,674 | 71,642 |
| Distributable cash from operations/unit | **$2.52** | $1.81 | **$0.77** | $0.81 | $10.18 |
| Cash distributions | **12,313** | 8,865 | **4,222** | 3,166 | 50,271 |
| Cash distributions/unit | **$1.75** | $1.26 | **$0.60** | $0.45 | $7.15 |
| Payout ratio | **69.3%** | 69.6% | **78.2%** | 55.8% | 70.2% |
| Excess (Shortfall) of distributable cash from operations over cash distributions declared | **5,452** | 3,867 | **2,513** | 2,508 | 21,371 |
| Excess (Shortfall) of net income over cash distributions declared | **3,901** | 5,700 | **(462)** | 2,098 | 19,855 |

**2007 Distribution Summary**

| Month | Date Declared | Record Date | Payment Date | per Unit |
|---|---|---|---|---|
| January | 15-Jan-07 | 31-Jan-07 | 15-Feb-07 | $0.15 |
| February | 16-Feb-07 | 28-Feb-07 | 15-Mar-07 | $0.20 |
| March | 12-Mar-07 | 31-Mar-07 | 16-Apr-07 | $0.20 |
| April | 17-Apr-07 | 30-Apr-07 | 15-May-07 | $0.20 |
| May | 14-May-07 | 31-May-07 | 15-Jun-07 | $0.20 |
| June | 7-Jun-07 | 30-Jun-07 | 16-Jul-07 | $0.20 |
| July | 5-Jul-07 | 31-Jul-07 | 15-Aug-07 | $0.20 |
| August | 17-Aug-07 | 31-Aug-07 | 14-Sep-07 | $0.20 |
| September | 13-Sep-07 | 30-Sep-07 | 15-Oct-07 | $0.20 |
| October | 10-Oct-07 | 31-Oct-07 | 15-Nov-07 | $0.20 |
| November | 14-Nov-07 | 30-Nov-07 | 14-Dec-07 | $0.20 |

Tax attributes of cash distributions to unit holders

Unitholders, can expect their distributions to be mostly taxable as income. A small percentage of the unitholders distributions may be return of capital for tax purposes. Any return of capital reported represents the excess of distributions from the Fund over that required to eliminate the taxable position of the Fund. Return of capital is considered a partial return of the unitholders original investment and reduces the cost base of their investment. Tax implications manifest on the return of capital portion when a unitholder sells their investment in the Fund and capital gains or losses are realized on the sale of the investment.

| Tax Attributes | Income | Return of Capital | Total |
|---|---|---|---|
| **2006** | 97.25% | 2.75% | 100.00% |
| **2005** | 89.61% | 10.39% | 100.00% |
| **2004** | 95.25% | 4.75% | 100.00% |
| **2003** | 80.84% | 19.16% | 100.00% |

## Tax on Income Trusts

On June 12, 2007 Bill C-52 formalizing the Government of Canada's proposal to tax the distributions of income trusts became law. The new tax effectively treats income trusts as corporations for tax purposes beginning January 1, 2011. Distributions, under the rules, will first be taxed at the Fund level at a current rate of 31.5%. The net amount would then be distributable to unitholders and treated as dividends for tax purposes. As a result of the new tax, the Fund was required to recognize the future tax assets and liabilities expected to arise when the new tax becomes applicable. The Fund should have reported the expected future tax on our Q2 2007 results, but neglected to do so. Future tax as a result of the new tax law is being reported for the first time in Q3 2007. Future income tax assets and liabilities are based on temporary differences between the tax treatment of assets and liabilities of the Fund and the accounting treatment of these same assets and liabilities reported on the Fund's financial statements to the extent that these differences will exist at 2011. Based on its assets and liabilities at September 30, 2007 and the expected tax rate of 31.5% for 2011, the Fund has estimated a future tax liability of $2.3 million. The Fund recorded a one-time non-cash charge to earnings of this amount during the Quarter.

## Capital Resources

The Limited Partnership has a $9,000,000 revolving term loan with the Canadian Western Bank (“CWB”). The loan matures on May 15, 2008. Interest on the loan floats at 1.0% above the CWB Prime Lending Rate. The CWB Prime Lending Rate at the end of the Period was 6.25% per annum. There are no specific debt covenants attached to this loan. The loan was originally secured for the Fund to meet its Contributing Interest Responsibility for capital funding of the Deerfoot Joint Venture. The loan was fully drawn for this purpose and on maturity was renegotiated with revolving terms. Since that time, the Fund has used surplus cash to finance the expansion of Boomtown Casino and complete capital maintenance programs. Additional surplus cash has been used to reduce the outstanding balance of this loan and minimize interest expenses. At the outset of the Period the balance of the loan was $2.0 million. The remaining $7.0 million was redrawn in January 2007 for the special cash distribution declared for December 2006 payable January 15, 2007. Over the remaining course of the Period, $2.1 million in surplus cash has been applied against the loan. $0.4 million was advanced on the loan during the Quarter. At the end of the Period there is $7.1 million outstanding.

At the end of the Period the Deerfoot Joint Venture had $19.9 million remaining on a $24.0 million term debt instrument with CWB. 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 the end of the Period was 6.25% per annum. The loan is structured in two segments. The outstanding balance of the $22 million first segment, the demand non-revolving portion, is $19.9 million. The outstanding balance of the second segment, the $2 million demand revolving portion, is $nil. The Fund’s portion of the total of both segments of this loan is 40% or $7.9 million. The Deerfoot Joint Venture loan has the following performance covenants:

1. Maximum debt to equity ratio of 3.00 : 1.00

   At the end of the Period the Deerfoot Joint Venture debt to equity ratio was 1.09 : 1.00

2. Minimum debt service coverage of 1.25:1.00

   At the end of the Period the Deerfoot Joint Venture debt service coverage was 6.34 : 1.00

The Deerfoot Joint Venture is in the planning stages to convert floor space currently occupied by the All World Buffet to a high limit game room and an auxiliary cash cage made redundant with the introduction of TITO to a walk-up sushi/martini bar. The expected cost of this conversion is estimated at $350,000 and will be funded by cash from operations.

The Fund has struck a special committee to evaluate options and develop a strategic plan in response to the government’s Bill C-52. The bill effectively provides for the taxation of income trusts beginning January 2011. The new tax has not had any impact on the Funds access to financing.

## Related Party Transactions

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

The Fund had related party transactions with companies controlled by David Will and/or Darcy Will. David Will and Darcy Will are both 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 of the Fund. Transactions include the following:

- The Fund paid management services fees during the Period of $779,981 ($573,674 - 2006), which is recorded in human resources expenses. The Fund, either directly or through the Deerfoot Joint Venture has management services contracts with companies controlled by the Wills. Other than trustee fees, the Wills receive no other form of compensation from the Fund except through these management services contracts. Management fees are based on a percentage of revenues and/or EBITDA. At the end of the Period there was $27,000 ($19,515 – 2006) in due to/from accounts and $43,697 ($nil – 2006) in accounts payable.

- The Fund paid charter aircraft rentals to a company controlled by the Wills during the Period of $240,429 ($161,770 – 2006) which is recorded in operating expenses except for $11,758 which was capitalized as part of the Boomtown Casino Expansion. Charter aircraft are used by the Fund to reduce travel times for senior officers of the Fund. Senior officers of the Fund are based in Red Deer and Lethbridge. These cities do not have convenient public carrier services to the Fund's operational cities of Grande Prairie and Ft. McMurray. At the end of the Period there was $128,890 ($nil - 2006) in accounts payable.

- The Fund paid $256,810 ($242,760 – 2006) for R&M and other operating expenses during the Period. Amounts represent reimbursements for costs shared with the Fund or paid by Will companies on the Funds behalf. At the end of the Period there was $24,103 ($6,699 - 2006) in accounts payable.

- The Fund paid $5,368,650 ($3,921,580 – 2006) in cash distributions to companies controlled by the Wills on Class B Limited Partnership units during the Period.

- The Fund paid $33,500 ($38,000 – 2006) in trustee fees to the Wills which are included in human resources during the Period. At the end of the Period there was $4,000 ($nil - 2006) in accounts payable.

- The Fund received $81,021 ($997 – 2006), which is recorded as a reduction to general and administrative expenses during the Period. Amounts represent reimbursement for insurance premiums paid by the Fund on Will company's behalf. At the end of the Period there was $2,564 ($nil - 2006) in accounts receivable.

The Fund had related party transactions with other trustees or companies controlled by other trustees of the Fund. $84,400 ($74,486 – 2006) is recorded in human resource expenses during the Period for trustee fees and consulting services. At the end of the Period there was $21,000 ($nil - 2006) in accounts receivable.

Figures include the Fund's 40% Participating Interest in operations of the Deerfoot Joint Venture.

## Business Risks, Opportunities and Outlook

### Economic Outlook

High oil prices, low natural gas prices, Alberta's energy royalty review, Federal tax changes, a high Canadian dollar, inflation concerns and systemic North American credit issues are together creating uncertainty in the general economy. These factors, some positive and some not so, all have an impact to varying degrees on the Fund's business. We remain optimistic about the Fund's ability to be successful as these factors play out, but like most others more cautiously so than in earlier reports.

### Taxation

On June 12, 2007 Bill C-52 formalizing the Government of Canada's proposal to tax the distributions of income trusts became law. The new tax effectively treats income trusts as corporations for tax purposes beginning January 1, 2011. Distributions, under the rules, will first be taxed at the Fund level at a current rate of 31.5% and then taxed as dividends in the hands of the unitiholders. Furthermore, the bill set certain limitations on the growth of existing trusts. As unitholders of most trusts, including the Fund, have already seen, this had an immediate negative impact on the unit values of their investment. From a business perspective the future new tax has made it more difficult for the trust industry in general to access capital and debt markets. Income trusts are being forced to evaluate their corporate structures in anticipation of the 2011 tax changes. Management of the Fund continues to evaluate strategic options in response to all of the tax announcements.

On October 31, 2007, the one year anniversary of the federal government's first announcement on the proposal to tax income trusts, they again made significant tax announcements. Proposed changes would see the reduction of federal corporate income taxes from 18.5% to 15% by 2012. These tax changes do not apply to trusts. However, dependant on the strategic response of the Fund to Bill C-52, they may become a factor.

## Competition

The Tsuu T'ina First Nation is scheduled to open the Grey Eagle Casino on the western edge of Calgary. After a number of delays they are officially communicating a mid December 2007 opening. Economically, the new facility should have little impact on the Deerfoot Joint Venture. The casino situated on the Tsuu T'ina First Nation reserve will not be subject to the City of Calgary non-smoking restrictions that come into effect in 2008.

Management is not aware of any further applications that could have a material effect on the Fund's operations.

## Non-smoking

Alberta's new Tobacco Reduction Act was passed November 14, 2007. A province-wide smoking ban in all public places and workplaces will take effect January 1, 2008. The Act will also prohibit smoking within a specified distance from the windows, doorways and air intakes of public places to protect indoor air quality. Grande Prairie is the last jurisdiction in which the Fund operates to introduce non-smoking legislation. This will have an adverse impact on revenues at the Great Northern Casino. Experience with smoking bans in other jurisdictions show that declines are eventually recovered over varying time periods extending as long as one year.

The City of Ft. McMurray implemented a smoking bylaw September 1, 2007 which eliminated smoking from all public places including the Fund's Boomtown Casino. In line with industry experience gaming activities recorded an 18% decline during September. Over October and November thus far we have experienced a remarkably speedy recovery of lost volume in part due to the implementation of ticket in/ticket out technology.

The Deerfoot Joint Venture was already planning for the implementation of the City of Calgary's own non-smoking bylaw when the provincial Act was passed.

## Ticket In Ticket Out (TITO)

Implementation of TITO upgrades to slot machines at the Deerfoot Joint Venture was completed in July 2007. In line with industry experience, TITO resulted in an immediate increase in cash play on the Deerfoot Joint Venture slot machines. Cost efficiencies associated with chinless equipment will also accrue as a result of the TITO implementation. Boomtown Casino, in October, completed the conversion of all their slot machines to TITO and Great Northern Casino is scheduled for a March 2008 conversion. We are expecting similar experiences at these locations.

## Seasonal Cycles

Operations of the Fund are not overtly impacted by seasonal cycles. The most significant influence on the business of the Fund relates to spring breakup in the energy sector. Beginning March/April and for a duration of six to eight weeks ground thaw prohibits the movement of heavy equipment on provincial highways and in and out of lease sites. Spring breakup has its most profound impact in the northern half of the province. This is normally a period of high activity for our Northern casinos while it has the opposite effect on hotel operations. The Deerfoot Joint Venture is less affected by this phenomenon and has a moderating effect on its impact on overall Fund operations.

## Internal Control Over Financial Reporting

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There has been no change in the issuer's internal control over financial reporting that occurred during the Quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

## Additional Information

All required public disclosures including material documents, press releases and financial statements of the Fund can be found on SEDAR at www.sedar.com. Additional information about the Fund can be found at www.gamehost.ca.