

GAMEHOST INCOME FUND

**2004 Second Quarter
Report to Unitholders
For the six month period ended June 30, 2004**

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To our Unitholders,

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

Quarterly revenues of \$6.18 million surpassed all previous quarters and continued an unbroken trend since inception of the Fund. Earnings before interest, taxes and all amortizations (EBITDA) totaled \$3.4 million for an EBITDA margin of 55%. This compares to the first quarter in 2004 where EBITDA was \$3.27 million and EBITDA margins 54% on revenues of \$6.08 million.

SURPLUS CASH FINANCES JOINT VENTURE

Trustees voted to increase the monthly cash distributions from \$0.115/unit to \$0.12/unit in January 2004. During the current calendar year the Fund has maintained that rate of distribution and continued to generate cash in excess of declared distributions. Furthermore the Fund has met all of its Joint Venture funding obligations with payments of \$1.14 million from surplus cash and at the end of the Period reports \$1.2 million or \$0.167/unit in distributable cash surplus.

Operations

The Funds casinos posted record revenues during the Quarter. Table games and electronic gaming/devices continue to generate revenue growth. Food, beverage and entertainment services also reported a small increase in revenue and helped contribute to a strong second quarter overall. Spring breakup slowed activity in the construction and energy industries which is the typical cycle during the second quarter. This always puts temporary pressure on revenues at the hotel. Results at the mid way point in July already show a marked improvement. Revenue reductions at the hotel were more than offset by strength from the casinos.

Looking Ahead

Construction of the Joint Venture's Deerfoot Inn & Casino project in Calgary commenced June 1, 2004. Site, services and foundation work is nearing completion. As the project moves from the drawing stage and out of the ground, anticipation in the community and by management for what the project will offer the Calgary market grows. It is destined to be a landmark for the S.E. corner of the city and a drawing card for the entertainment seeker, corporate and personal traveler and social occasional gamer.

The economic outlook remains strong for the northern portion of the province and we expect that these benefits will continue to accrue to the Fund especially as we move past the summer and into the fall. Management will continue to test all decision making against our mission statement to attract the social occasional gamer.

This letter would not be complete without thanking all of our staff who believe as we do in the unique entertainment model offered through our facilities. It is their commitment to deliver that makes our beliefs a reality.

And to you our unitholders thank you for your ongoing support.

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				\$0.12
September				\$0.12
October				\$0.12
November				\$0.12
December				\$0.12
2004 Anticipated Distribution				\$1.44

Sincerely,

(Signed by David J. Will)

David J. Will
Chairman, Gamehost Income Fund

(Signed by Darcy J. Will)

Darcy J. Will
President, Gamehost Income Fund

Q2 - 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 June 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 June 30, 2004 (the “Period”) or April 1, 2004 thru June 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 \$1.139 million representing balances owing as determined by the Joint Ventures cash requirements forecast and the Fund’s 47.75% contributing responsibility.

In the final week of May the Joint Venture received a permit to begin construction to grade level. Construction began on June 1st. As of this writing, major contracts have been let for excavation and site-work, deep services, concrete foundations & tower and structural steel. Contracts for mechanical and electrical should be tendered before the end of July. Construction is progressing favorably with rough grading of the site complete and deep service storm water and sewer nearing completion. Perimeter and basement foundations are 95% complete and basement slabs are 60% complete. 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. Existing operations are running smoothly.

During the Quarter, management negotiated a five year lease renewal with an existing tenant in the Fund’s retail complex in Grande Prairie. The property is attractively located for existing retailers. An increase in the monthly base rate was not contested.

Revenues

Second quarter combined revenues totaled \$6.09 million up 1.6% overall from the first quarter and continued an unbroken trend of record quarterly revenues since inception of the Fund June 1, 2003. Monthly results, however,

tapered off moderately over the course of the second quarter. Early results for the first half of July show an upswing once again.

Accommodation and rental revenue – was impacted by a lengthy spring breakup which slowed construction and energy sector work for an extended period. Cool wet weather followed continuing to affect both sectors as well as limiting early holiday travelers. Though temporary and cyclical in nature, this phenomenon, when coupled with added competition from new hotels resulted in a dip in occupancy rates to 64.5% during June, their lowest level since the Fund began operating the facility. That being said, results from the first half of July indicate a sharp increase in occupancy rates as travelers begin summer vacationing and energy and construction work resume a fevered pace. In addition, management is witnessing a return of former clients following an initial period of introductory pricing from the new hotel properties.

Table games revenue - increased from the first quarter by 4.9% to \$1.11 million for the Quarter and the highest quarterly figure to date. Management has focused special attention in the dealer pits to ensure that control procedures are being followed closely. Specific attention has been given to both player enjoyment and staff moral to improve the overall entertainment experience the games provide. Initiatives to improve the utilization of the poker rooms are also showing positive results.

Electronic gaming device - revenues were at record levels during the Quarter. Total revenue increased 7.2% from the first quarter to \$3.22 million. Both casinos contributed record revenues in this area for the Quarter.

Food, Beverage and Entertainment – revenues for the Quarter totaled \$941 thousand. Results are consistent with previous quarters.

Expenses

Direct and general administrative expenses for the Quarter totaled \$3.0 million including amortization of \$256 thousand. Expressed as a percentage of revenue, total expenses represent 49% of total Fund revenues for the Quarter and 49% of total Fund revenue for the six months ended June 30, 2004. This compares to the previous quarter where total expenses were \$3.06 million or 50% of revenues and the year ended December 31, 2003 where total expenses represented 53% of total Fund revenues.

Salaries and wages – for the Quarter totaled \$1.3 million, an increase of \$40 thousand from the previous quarter. Higher activity in the casino slot and table areas account for the increased staffing costs.

Marketing and promotion – activities during the Quarter totaled \$308 thousand up from \$258 thousand spend during the first quarter. Entertainment, food and beverage promotions at the Great Northern Casino account for \$37 thousand or 75% of the \$49 thousand dollar increase. The hotel spent an additional \$10 thousand to boost occupancy rates during the summer. Boomtown casino accounts for the remaining \$2 thousand increase.

Operating – expenses increased marginally from \$676 thousand during the first quarter to \$684 thousand for the second quarter. Property tax accruals for the first six months were adjusted to actual assessed values resulting in an additional expense of \$27 thousand. This expense was partially offset by numerous smaller expense reductions.

General and administrative – expense for the Quarter totaled \$62 thousand. These expenses during the first quarter totaled \$218 thousand. The large fluctuation is due in part to a one time \$60 thousand standby fee accrued during the first quarter for the purposes of negotiating a term loan to be used to finance a portion of the Funds contributing responsibility in the Joint Venture. The subsequent payment of the fee during the Quarter was reduced to \$40 thousand. In addition, accrued professional fees carried over from 2003 were adjusted to actual invoice amounts resulting in a savings of \$37 thousand.

Amortization – of \$256 thousand dollars 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 \$3.4 million or 55% (EBITDA margin) on all revenues. For comparative purposes EBITDA and EBITDA margins for the previous quarter were \$3.3 million and 53% respectively and for the seven months ended December 31, 2003 were \$6.4 million 51%.respectively.

Quarterly Summary

An expansion of the Great Northern Casino was opened during the Q3 2003 reporting period at which time additional table games and slot machines were added. Additional slot machines were added in increments as AGLC permitted over all of the periods reported.

In thousands of dollars except per unit amts	Q2 2004	Q1 2004	Q4 2003	Q3 2003
	Jun 30	Mar 31	Dec 31	Sep 30 ¹
Total revenue	\$ 6,175	\$ 6,076	\$ 5,554	\$ 6,976
Net income	\$ 1,467	\$ 1,392	\$ 1,106	\$ 1,588
Net income per unit	\$ 0.452	\$ 0.428	\$ 0.341	\$ 0.489

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

Liquidity and Capital Resources

Gamehost Income Fund carries \$71.2 million in total assets and ends the reporting Period with \$4.1 million in cash and cash equivalents.

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 also has a \$250 thousand dollar credit facility with the Royal Bank of Canada. This line of credit is available to Gamehost Limited Partnership at the banks prime lending rate, but to date has not been accessed.

The Fund is required by the AGLC to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP") to support its gaming operations. It is anticipated that the Fund can maintain its required MCNWCP and its program for consistent cash distributions as well as meet the Joint Venture cash requirements into the fall before accessing the available term loan.

Capital Expenditures

Capital Expenditures for the Period totaled \$1,139 million. The significant portion of this total was made 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 July 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 \$5.57 million (\$0.791/unit) in distributable cash and declared distributions of \$5.07 million (\$0.720/unit). The excess in distributable cash for the period totaled \$501 thousand (\$0.071/unit). The Fund now carries excess distributable cash of \$1.18 million (\$0.167/unit) which is expected to be used in ongoing funding requirements of the Joint Venture.

Summary of Distributable Cash

For the six months ended June 30, 2004

	Class B Limited Partners		Unitholders	Total
Distributable cash surplus- opening	\$ 346,481	\$ 329,265	\$ 675,746	
Add:				
Adjustment – 2003 capital expenditures	17,245	(17,245)	-	
Adjusted distributable cash surplus - opening	363,726	312,020	675,746	
Net earnings for the period	3,334,691	2,859,508	6,194,199	
Add:				
Amortization of property, plant & equipment	275,901	236,586	512,487	
Capital expenditures	(613,285)	(525,894)	(1,139,179)	
Distributable cash generated	\$ 2,997,307	\$ 2,570,200	\$ 5,567,507	
Distributable cash generated/unit	\$ 0.791	\$ 0.791	\$ 0.791	
Distributions declared	\$ 2,727,216	\$ 2,338,597	\$ 5,065,813	
Distributions declared/unit	\$ 0.720	\$ 0.720	\$ 0.720	
Distributable cash surplus	\$ 270,091	\$ 231,603	\$ 501,694	
Distributable cash surplus/unit	\$ 0.071	\$ 0.071	\$ 0.071	
Distributable cash surplus- closing	\$ 633,817	\$ 543,623	\$ 1,177,440	
Distributable cash surplus/unit- closing	\$ 0.167	\$ 0.167	\$ 0.167	

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.

Business Risks and Outlook

Management remains confident in the future performance of the Fund. Near term results based on indications at the middle of July are promising for the balance of the month as well as the remainder of the year.

A significant amount of managements efforts are being allocated to the Joint Venture to ensure a successful construction outcome. The longer term operational success of the Joint Venture project will be improved with the hands on role being taken in the planning and construction stage of the project.

There has been no further advancement of a new casino application for Grande which is currently at Step 3. The application is being watched closely by management. All applications must will follow the 8 step Traditional Casino Facility Application Process set out by the details of the process can be found on the AGLC website at http://www.aglc.gov.ab.ca/gaming/charitable_gaming/casino/8_step_process.asp.

Summary of Ownership Interest

For the six months ended June 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	-	27,682	27,682
Net income	3,334,691	2,859,508	6,194,199
Distributions to unitholders	(2,727,216)	(2,338,597)	(5,065,813)
Balance at the end of the period	\$ 38,577,751	\$ 30,749,573	\$ 69,327,324

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.

July 21, 2004

Consolidated Balance Sheets

(Un-audited)

	June 30, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,101,662	\$ 4,106,951
Accounts receivable	680,256	557,728
Current portion of Notes Receivable	14,366	28,210
Inventories	57,664	62,154
Prepaid expenses	285,517	65,355
Due from related parties	8,999	-
	<u>5,148,464</u>	<u>4,820,398</u>
Notes receivable	77,193	77,193
Property, plant & equipment	19,943,185	19,316,493
Licenses	3,500,000	3,500,000
Goodwill	<u>42,579,216</u>	<u>42,579,216</u>
	<u>\$ 71,248,058</u>	<u>\$ 70,293,300</u>
Liabilities and unitholder equity		
Current liabilities:		
Accounts payable	\$ 279,279	\$ 344,509
Accrued liabilities	797,156	803,940
Due to related parties (Note 3)	-	164,472
Unitholder distributions payable	844,302	809,123
	<u>1,920,737</u>	<u>2,122,044</u>
Class B limited partnership units	38,577,751	37,970,276
	40,498,488	40,092,320
Unitholders' equity	<u>30,749,570</u>	<u>30,200,980</u>
	<u>\$ 71,248,058</u>	<u>\$ 70,293,300</u>

see accompanying notes to consolidated financial statements

On behalf of the Board:

David J. Will, Director _____ (Signed David J. Will)

Darcy J. Will, Director _____ (Signed Darcy J. Will)

Consolidated Statements of Unitholders' Equity

(Un-audited)

	<u>June 30, 2004</u>	<u>December 31, 2003</u>
Balance at the beginning of the period	\$ 30,200,980	\$ -
Issued In exchange For property, plant & equipment	-	-
Issued in exchange of shares of Service Plus Hospitality Ltd.	-	11,981,948
Issued pursuant to offering memorandum	-	20,500,000
Returned to treasury	-	(1,440)
Reorganization costs	27,682	(2,358,777)
Net income	2,859,508	2,693,930
Distributions to unitholders	<u>(2,338,597)</u>	<u>(2,614,681)</u>
Balance at the end of the period	<u>\$ 30,749,573</u>	<u>\$ 30,200,980</u>

Consolidated Statements Of Operations

(Un-audited)

	Six months ended June 30		Three months ended June 30	
	2004	2003	2004	2003
Revenue				
Hotel revenue	\$ 1,657,138		\$ 733,975	
Table games	2,164,906		1,108,230	
Slot machines and other electronic devices	6,220,184		3,218,226	
Food and beverage services	1,875,366		940,946	
Rental revenues	145,547		73,096	
Other	187,083		100,236	
	<u>12,250,224</u>	<u></u>	<u>6,174,709</u>	<u></u>
Expenses				
Cost of goods sold	768,033		380,903	
Human resources	2,568,729		1,304,271	
Marketing and promotions	565,947		308,321	
Operating	1,360,927		684,296	
Corporate and general administration	279,902		61,829	
	<u>5,543,538</u>	<u></u>	<u>2,739,620</u>	<u></u>
Earnings before amortization and income allocation to Class B Limited Partners	6,706,686		3,435,089	
Amortization	(512,487)		(256,243)	
Income allocation to Class B Limited Partners	<u>(3,334,691)</u>	<u></u>	<u>(1,711,354)</u>	<u></u>
Net income	<u>\$ 2,859,508</u>	<u></u>	<u>\$ 1,467,492</u>	<u></u>
Earnings per unit				
Basic	<u>\$ 0.880</u>	<u></u>	<u>\$ 0.452</u>	<u></u>

Consolidated Statements of Cash Flows

(Un-audited)

	Six months ended June 30, 2004	Three months ended March 31, 2004
Cash provided by (used for) operations		
Net income	\$ 2,859,508	\$ 1,392,017
Add non-cash item:		
Allocation of net income to class B limited partners	3,334,691	1,623,337
Amortization of property, plant & equipment	512,487	256,244
	<u>6,706,686</u>	<u>3,271,598</u>
Net changes in noncash working capital:		
Accounts receivable	(122,528)	(431,043)
Inventories	4,490	4,299
Prepaid expenses	(220,162)	(153,022)
Accounts payable and accrued liabilities	(72,014)	342,505
Unitholder distributions payable	35,179	-
	<u>6,331,651</u>	<u>3,034,337</u>
Financing		
Advances to/from related parties	(173,471)	(322,158)
Proceeds from sale of units	-	-
Reorganization costs	27,679	-
Proceeds from collection of notes receivable	13,844	6,844
Distributions to Class B Limited Partners	(2,727,216)	(1,344,669)
Unitholder distributions	(2,338,597)	(1,153,058)
	<u>(5,197,761)</u>	<u>(2,813,041)</u>
Investments		
Purchase of goodwill and licenses	-	-
Purchase of property, plant & equipment	(1,139,179)	(149,176)
	<u>(1,139,179)</u>	<u>(149,176)</u>
Increase in cash and cash equivalents	(5,289)	72,120
Cash and cash equivalents at the beginning of the period	<u>4,106,951</u>	<u>4,106,951</u>
Cash and cash equivalents at the end of the period	<u>\$ 4,101,662</u>	<u>\$ 4,179,071</u>
Supplemental cash flow information:		
Cash interest paid	\$ 10	\$ 10
Cash interest received	26,842	-
	<u>\$ 26,852</u>	<u>\$ 10</u>

Notes to Consolidated Financial Statements

For the six months ended June 30, 2004

(Un-audited)

1. Summary of the Plan of Arrangement

Gamehost Income Fund is an unincorporated open-ended trust governed by the laws of the province of Alberta and was formed on April 9, 2003 pursuant to the Gamehost Trust Agreement. The Fund began operations on June 1, 2003.

The Fund was created to acquire specific gaming and hotel facilities formerly owned by Service Plus Hospitality Ltd., Will Inns Ltd. and Boomtown Casino Ltd. These acquisitions were completed on June 1, 2003 through a Plan of Arrangement that resulted in the previous Service Plus Hospitality Ltd. shareholders indirectly exchanging their shares for Units in the Fund or cash and Class "B" Limited Partnership units in Gamehost Limited Partnership. Will Inns Ltd. and Boomtown Casino Ltd. exchanged their specific assets for Class "B" Limited Partnership units in Gamehost Limited Partnership.

The acquisition was accounted for by the purchase method of accounting whereas the purchase price is allocated to the identifiable tangible and intangible assets and liabilities based on their fair values, and any excess of the purchase price over the fair values of the tangible and intangible assets and liabilities is allocated to goodwill and intangibles. The Fund evaluates the allocation and makes all necessary classifications for recognizing and measuring intangible assets from goodwill in accordance with Canadian generally accepted accounting principles.

A summary of transactions is as follows:

	Service Plus Hospitality Ltd.	Will Inns Ltd.	Boomtown Casino Ltd.	Total
Assets acquired:				
Working capital	\$ 3,311,000	\$ -	\$ -	\$ 3,311,000
Property, plant & equipment	9,767,784	7,400,000	500,000	17,667,784
Licenses	1,750,000	-	1,750,000	3,500,000
Goodwill	30,129,216	-	12,450,000	42,579,216
	<u>\$ 44,958,000</u>	<u>\$ 7,400,000</u>	<u>\$ 14,700,000</u>	<u>\$ 67,058,000</u>
Consideration:				
Cash	\$ 17,198,546	\$ -	\$ -	\$ 17,198,546
Gamehost Income Fund Units (Fund Units)	11,981,454	-	-	11,981,454
Class "B" Limited Partnership Units (LP Units)	<u>15,778,000</u>	<u>7,400,000</u>	<u>14,700,000</u>	<u>37,878,000</u>
	<u>\$ 44,958,000</u>	<u>\$ 7,400,000</u>	<u>\$ 14,700,000</u>	<u>\$ 67,058,000</u>

The \$42,579,216 of acquired goodwill was assigned to the Hotel and Gaming segments in the amounts of \$4,579,216 and \$38,000,000, respectively. The \$3,500,000 of licenses was assigned entirely to the Gaming segment. Of the total amount of goodwill and licenses, \$19,362,937 will be included as part of eligible capital expenditure of which 75% will be amortized at 7% per annum for income tax purposes.

Notes to Consolidated Financial Statements

For the six months ended June 30, 2004

(Un-audited)

2. Basis of Preparation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles; however, they do not include all of the disclosure requirements for annual consolidated financial statements. The same accounting principles as were used for the consolidated financial statements for the seven months ended December 31, 2003 were used in preparation of these statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the seven months ended December 31, 2003 including notes thereto.

The consolidated statement of operations does not include comparative figures as the Fund did not begin operating until June 1, 2003.

These interim consolidated financial statements have been neither reviewed nor audited by the Funds auditors.

3. Related Party Transactions

The Deerfoot Inn & Casino Inc. Joint Venture is jointly owned by Will Inns Ltd., Winners Gaming Corporation and JM Wood Investments Ltd. The Fund's 40% interest is accounted for utilizing the proportionate consolidation method. Will Inns Ltd. is controlled by Mr. David J. Will, Winners Gaming Corporation is controlled by Mr. Darcy Will, and JM Wood Investments Ltd. is controlled by Mr. Jed Wood. Mr. David Will, Mr. Darcy Will and Mr. Jed Wood are trustees of the Fund.

To this stage of the project's progress, contributions have been made in accordance with forecasted cash call assumptions. At the end of the period, amounts contributed to the Joint Venture equal the Fund's contributing responsibility of 47.75% of required capital. The amounts due from related parties are unsecured, are non-interest bearing and have no fixed repayment terms.

Due to related parties includes \$7000 payable to Gamehost Management Inc. which is equally and 100% owned by David J. Will and Darcy J. Will. A further \$1,999 is owed to D. J. Will Holdings a company owned and controlled by David J. Will.

Included in corporate and general administration is \$135,000 for management services to Mr. David J. Will and Mr. Darcy J. Will as employees of Gamehost Limited Partnership. Amounts have been accrued pending final approval by the board on a number of compensation matters including a unit option plan that has been deferred to Fund's Compensation Committee.

These transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

828489 Alberta Ltd., lessee of space in the Funds retail complex in Grande Prairie are negotiating the terms of a personal loan to finance leasehold improvements on the premises. Terms and conditions will be disclosed as they become available.

Notes to Consolidated Financial Statements

For the six months ended June 30, 2004

(Un-audited)

4. Class B Limited Partnership Units

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

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

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

As at June 30, 2004, there are 3,787,800 units outstanding (December 31, 2003 – 3,787,800). There were no units issued or redeemed for the six months ending June 30, 2004.

During the six months ended June 30, 2004, \$3,334,691 of income was allocated to the LP Units (Seven months December 31, 2003 - \$3,141,455) and total cash distributions declared amounted to \$2,727,216 (Seven months December 31, 2003 - \$3,049,179).

5. Fund Units

An unlimited number of Fund Units may be created and issued pursuant to the Trust Agreement. Fund Units represent an undivided interest in the Fund. Fund Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board.

As at June 30, 2004, 3,248,051 units are outstanding (December 31, 2003 – 3,248,051). There were no units issued or redeemed for the three months ending March 31, 2004.

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

6. Segmented Information

The Fund's operations are predominantly in the hotel accommodation and gaming industries. The Fund derives its revenues from marketing its services in Western Canada.

The hotel accommodation division includes the operations of the motor hotels and commercial real estate. The gaming division includes the operations of the casino facility. Food, beverage and entertainment functions are carried out within the casino facilities but have their own management reporting to the casino management. General Administration includes head office.

Notes to Consolidated Financial Statements

For the six months ended June 30, 2004
(Un-audited)

6. Segmented Information (continued)

	Hotel	Gaming	Food & Beverage	General Administration	Consolidated
Operations					
Total revenue	\$ 1,819,357	\$ 8,519,565	\$ 1,875,366	\$ 35,937	\$ 12,250,224
	\$ 2,859,508				
Amortization	246,597	151,813	101,209	12,868	512,487
Corporate & General admin	18,784	98,000	8,201	154,917	279,902
Cost of Goods Sold	30,740	62,486	674,807		768,033
Human Resources	386,927	1,624,169	242,755	314,877	2,568,729
Marketing & Promotions	75,414	20,870	467,966	1,697	565,947
Operating	342,628	546,801	471,499		1,360,927
	1,101,089	2,504,140	1,966,437	484,359	6,056,025
Net Income	\$ 718,267	\$ 6,015,425	(\$ 91,072)	(\$ 48,422)	\$ 6,194,199

Income allocation to LP Units (3,334,691)

Net income \$ 2,859,508

Property, Plant & Equipment (PPE) and Intangibles

Goodwill and Licenses \$ 46,079,216

PPE at beginning of the period					
Working assets	9,106,915	5,141,955	3,427,970	103,882	17,780,722
Joint Venture - WIP	1,142,540	623,204	311,601	-	2,077,345
	10,249,455	5,765,159	3,739,571	103,882	19,858,067

PPE - Expenditures During the Period					
Working assets	-	-	-	-	-
Joint Venture - WIP	626,549	341,754	170,876	-	1,139,179
	626,549	341,754	170,876	-	1,139,179

Total PPE \$ 20,997,246

Total PPE -Net Book Value

Hotel	\$ 8,425,854
Gaming	5,013,444
Food and beverage	3,205,317
General administration	82,046
Projects in progress	3,216,524
	<u>\$ 19,943,185</u>

Notes to Consolidated Financial Statements

For the six months ended June 30, 2004
(Un-audited)

7. Investment in Joint Venture

The Fund is invested in Deerfoot Inn & Casino Inc. (the "Joint Venture"), a hotel/convention/entertainment/gaming project in Calgary, Alberta. The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Responsibility in this joint venture. On receiving a construction permit and in accordance with the joint venture agreement, the Fund contributed an amount representing the difference between the Fund's Participating Interest and Contributing Responsibility. This amount is recorded as a separate asset in Property, Plant and Equipment. The Fund's consolidated financial statements also include its Participating Interest in the assets, liabilities, revenues and expenses and net income, and cash flows resulting from operating, investing and financing activities of the joint venture, which are as follows:

Gamehost Income Fund – Interest in Deerfoot Inn & Casino Inc For the six months ended June 30, 2004

Balance Sheet

Cash	\$ 322,351
Other current assets	<u>20,156</u>
Total current assets	342,507
Non-current assets	<u>2,741,510</u>
	<u>\$ 3,084,017</u>
Current liabilities	3,536
Equity	<u>3,080,481</u>
	<u>\$ 3,084,017</u>

Cash Flows

Operating activities	\$ -
Investing activities	(2,741,510)
Financing activities	<u>3,052,442</u>
Increase in cash	310,932
Beginning cash	<u>11,419</u>
Ending cash	<u>\$ 322,351</u>