



**Second Quarter
Management Discussion and Analysis
for the six month period ended June 30, 2007**

Organizational Structure

The Fund

Gamehost Income Fund (the "Fund") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 9, 2003 (the "Fund Agreement").

The Trust

Gamehost Trust (the "Trust") is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta and is governed by a trust agreement dated April 10, 2003 (the "Trust Agreement"). All of the issued and outstanding units of the Trust are owned by the Fund. The trustees of the Trust are the trustees of the Fund.

The Limited Partnership

Gamehost Limited Partnership (the "Limited Partnership") is a limited partnership formed under the laws of the Province of Alberta. The Limited Partnership owns the assets and business operations of the Fund. These assets were acquired from Service Plus Hospitality Ltd., Will Inns Ltd. and Boomtown Casino Ltd. pursuant to a Plan of Arrangement (the "Plan of Arrangement") under the Business Corporations Act (Alberta) (the "ABCA"). The Limited Partnership began operations of the Fund effective June 1, 2003.

The Manager

The general partner of the Limited Partnership is Gamehost Management Inc. (the "Manager"). Pursuant to a management agreement (the "Management Agreement") between the Fund and the Manager, the administration and management of the Fund was delegated to the Manager.

Units

An unlimited number of Fund Units and Special Voting Units may be created and issued pursuant to the Fund Agreement. The Limited Partnership is authorized to issue unlimited numbers of both Class A units ("A Units") and Class B Limited Partnership units ("B Units"). The A Units are held by, and can only be issued to, the Trust. All B Units are held by the remaining partners of the Limited Partnership. There are 3,591,051 A Units and 3,444,800 B Units of the Limited Partnership issued and outstanding. B Units are exchangeable, on a one-for-one basis, for Fund Units. Holders of Fund Units and holders of B Units have equal voting rights.

Overview

The Fund's activities are currently confined to the Province of Alberta, Canada. Operations include the Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Fund owns a retail complex (the "Strip Mall") that leases space to separate liquor store, pub and full service restaurant operations. The Fund is also a 40% joint venture partner in Deerfoot Inn & Casino Inc., (the "Deerfoot Joint Venture"), in Calgary.

Management believes in a combined entertainment and hospitality model. The model targets the entertainment seeker and social occasional gamer. Clean, inviting venues that deliver live entertainment, lounging and dining, rest and relaxation together with gaming are situated in community based locales.

It is the intent and practice of the Fund to distribute taxable income of the Fund to unit holders by way of cash distributions on a monthly basis.



To Our Unit Holders

Girls Just Want to Have Fun

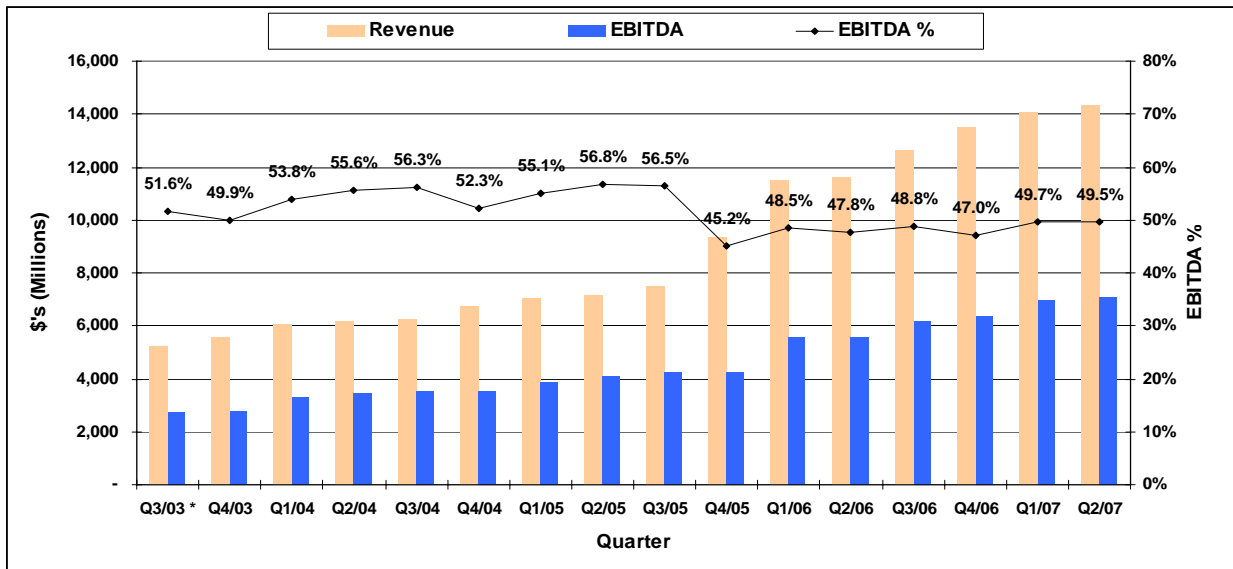
The second quarter of our fiscal year is traditionally a soft one. Fevered activity during the first quarter leads into the arrival of spring breakup. This annual phenomenon has a dramatic effect on our operations, especially in the north. Road bans on local roadways, temporary layoffs in the oil patch and spring rains differ year to year only in their severity. We always wonder heading in to the second quarter if there is enough momentum to continue our unbroken string of revenue records. Spring breakup in 2007 was especially protracted. We are again pleased, however, to report favourable results for the second interim reporting period in 2007. Results for the six and three months ended June 30, 2007 (respectively the “Period” and “Quarter”) are positive. No matter what the circumstances, more than just girls, it seems people just want to have fun!

Back to the Future

Revenues for the Period and Quarter compared to corresponding time frames in 2006 are both 23% higher. Revenues increased by \$5.3 million for the Period to \$28.4 million from \$23.1 million in 2006. Revenues for the Quarter increased by \$2.7 million to \$14.3 million compared to 2006 when revenues totaled \$11.6 million. Quarterly revenues increased 2% over the \$14.1 million recorded the previous quarter.

Total earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the Quarter and Period total \$7.1 million and \$14.1 million respectively. This compares to results over the same time frames in 2006 of \$5.6 million and \$11.1 for growth of 27% and 28% respectively.

Quarterly EBITDA margins fell slightly short of a key milestone mark of 50.0%. EBITDA margins for the Period totaled 49.6% compared to 48.1% in 2006, an improvement of 1.5%. We continue in our efforts to push overall EBITDA margins back towards the levels experienced prior to opening of the Deerfoot Joint Venture. The Deerfoot Joint Venture’s large food operations, a high cost element of overall operations, coupled with the higher than average growth rate of the Deerfoot Joint Venture relative to the combined growth rate of the Fund’s other properties makes growing overall Fund EBITDA % a challenge. But, back to higher operational margins in the future is where we will forge.



(* Initial 4 month quarter x ¾)

Take that to the Bank

Trustees of the Fund maintained regular monthly cash distributions throughout the Quarter at \$0.20 per unit. Total distributions for the Period total \$1.15 per unit and represent a payout ratio of distributable cash from operations of 65.4%. This compares with total distributions for the same period in 2006 of \$0.81 per unit and a payout ratio of 80.8 %.

Site Level

Our Service Plus property, as expected, experienced a reduction in occupancy during the Quarter. While we know additional room capacity that opened in the city during the Quarter has been a factor, there has also been a moderate slowdown in the energy industry. Occupancies are still very respectable and there has been no pressure on room rates. We are using the slowdown to complete needed refurbishment. The pull back in the energy sector together with a beleaguered forestry industry has had an impact on the Great Northern Casino as well. Both of these Grande Prairie properties are off the peak utilization rates we experienced in the preceding twelve months.

The expansion of Boomtown Casino in Ft. McMurray continues to gain traction. Announcements of new mega projects for the tar sands rich area will continue the growth potential of this facility for the foreseeable future. The Municipality of Wood Buffalo in which Ft. McMurray resides surprised us with the introduction of a non-smoking bylaw which quickly passed through the required three readings. As a result, smoking will not be allowed inside the Boomtown Casino effective September 1, 2007. Management has begun plans to provide for exterior smoking space for both staff and patrons. As for most jurisdictions that have already implemented such bylaws we are expecting a short lived moderate reduction in cash play.

Ticket In/Ticket Out (“TITO”) conversion of all slot machines at the Deerfoot Joint Venture began mid July and is now complete. Floor staff is focusing their attention on introducing patrons to the new coinless technology to ensure a smooth transition. Many new games were introduced with the change over in machines. Initial observations indicate a high level of acceptance by patrons and staff. The Alberta Gaming and Liquor Commission set conversion dates for both Boomtown and Great Northern Casinos in October 2007 and March 2008 respectively. Ultimately we expect TITO to provide cost efficiencies and increase cash play.

Gone Fishin’

We trust you will be pleased with the Fund’s second quarter results. Thank you for your patience as executive management continues to fish for opportunities that will add value for you our unit holders. Let’s not forget it is summer. We hope you will take some time to enjoy a break from work with friends and loved ones. If you happen to call and we’re not in, we’ve gone fishin’.

July 31, 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 six month period ended June 30, 2007

This discussion should be read in conjunction with the reported consolidated interim financial statements for Gamehost Income Fund (the "Fund") for the six month period ended June 30, 2007 (the "Period") and three month period ended June 30, 2007 (the "Quarter"). Consolidated interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP).

Management's discussion and analysis ("MD&A") focuses on year over year comparative results for the Period and comparison of the Period to results in the immediately preceding quarter. Readers are directed to management discussion and analysis contained in prior reports for specific results of previous quarters.

Caution to the Reader

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

This MD&A may make reference to non-Generally Accepted Accounting Principles ("GAAP") such as earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is a non-GAAP measure and is provided for information only. EBITDA calculations should not be relied upon as a sole measure of performance.

References to distributable cash from operations may be found throughout this MD&A. Distributable cash from operations is a non-GAAP measure and its application and interpretation vary widely. The Fund has adopted guidelines from an Interpretive Release issued by the CICA for this reporting period. As these guidelines are better understood and adopted by the trust sector, company comparisons of distributable cash from operations will improve. This report will introduce readers to new terminology and discussion surrounding the measure of distributable cash from operations. Some quantitative measures may fall short of the final understanding of the guidelines. The reader should be aware that any measurement of distributable cash from operations in this report may not be comparable to those reported by other companies.

This management discussion and analysis may contain forward-looking statements. Forward-looking statements may contain words such as "anticipates", "believes", "could", "expects", "indicates", "plans" or other similar expressions that suggest future outcomes or events. Use of these statements reflect reasonable assumptions made on the basis of management's current beliefs with information known by management at the time of writing. Many factors could cause actual results to differ from the results discussed in forward-looking statements. Actual results may not be consistent with these forward-looking statements.

Disclosure Controls

Disclosure controls and procedures have been designed to provide the Manager with reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to the Manager by others within those entities, particularly during the period in which the annual filings are being prepared.

Certifying officers of the Manager have evaluated those controls and procedures and concluded that they are operating effectively. All material information relating to the Fund and its consolidated subsidiaries has been made known to the Manager during the preparation of the annual financial statements and that information has been included in the reported results for the Period.



Internal Controls

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Fund. The Fund's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that reasonably, accurately and fairly represent transactions of the Fund, (2) provide reasonable assurance that transactions are recorded as required to permit the preparation of financial statements in accordance with Canadian GAAP and that receipts and expenditures are made with appropriate authorization of the Fund's management and directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Fund's assets that could have a material effect on the financial statements.

During the Period there have been no significant changes in internal control that has materially affected, or is reasonably likely to materially affect internal control over financial reporting.

Quarterly Performance Summary

Quarterly Performance	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	14,345	14,083	13,485	12,673	11,624	11,512	9,374	7,514
Expenses	7,239	7,079	7,144	6,486	6,071	5,930	5,133	3,270
EBITDA	7,106	7,004	6,341	6,186	5,553	5,581	4,241	4,244
EBITDA %	49.5%	49.7%	47.0%	48.8%	47.8%	48.5%	45.2%	56.5%
Net earnings	6,268	6,186	5,445	5,264	4,593	4,708	3,858	4,009
Net earnings per unit ¹	\$0.891	\$0.879	\$0.774	\$0.748	\$0.653	\$0.669	\$0.548	\$0.570

(in thousands of dollars unless stated otherwise)

¹ Basic and fully diluted

Revenues

Total Revenue

Total Revenue	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
	28,428.3	23,135.5	22.9%	14,345.0	11,623.9	23.4%	14,083.3	1.9%

(in thousands of dollars unless stated otherwise)

The Fund continued to add growth through a traditionally soft second quarter. The Deerfoot Joint Venture and Boomtown Casino provided the push for a fifteenth consecutive quarter of revenue growth. Our Grande Prairie properties of Great Northern Casino and Service Plus Inns & Suites hotel both felt the impact of increased competition, a slow down in drilling activity in the energy sector and continued weakness in the lumber industry during the Quarter.

All properties recorded year over year growth for the Period and only Service Plus missed posting year over year growth for the Quarter.

Hotel Rooming Revenue

Hotel Rooming includes both guest and meeting room sales at hotels. Occupancy and Average Daily Rate (“ADR”) are calculated on guest room sales only.

Hotel - Rooming	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Rooming	4,281.5	3,369.3	27.1%	2,044.2	1,719.3	18.9%	2,237.3	(8.6%)
Occupancy	78.4%	76.2%	2.2%	74.9%	76.4%	(1.5%)	83.2%	(8.3%)
Average Rate	\$147.47	\$120.74	22.1%	\$148.53	\$121.90	21.8%	\$146.24	1.6%

(in thousands of dollars unless stated otherwise)

The Fund's proportionate share of the Deerfoot Joint Venture's continued growth in occupancy levels and ADR was not enough to offset a drop in occupancy levels at our Service Plus hotel in Grande Prairie during the Quarter. Occupancy rose 9% during the Quarter at the Deerfoot Joint Venture while falling in excess of 20% at Service Plus.



Softer results in quarter two for Service Plus are generally expected. However, an extended spring breakup in the North, additional competition in the local market and a general slowdown in activity across the energy and lumber sectors produced lower than expected results. Year over year results for the property remains positive. ADR remains high and the market as yet seems content to hold room rates at their current level. Occupancies, while much lower than our near capacity experience over the previous fifteen months is respectable in the 70% plus range. Our market share, given the increased room capacity in the city, remains favourable. An additional sales person has been added to ensure the property receives increased exposure to the market during the initial period where competing new properties try to attract business.

Guest and meeting room sales at the Deerfoot Joint Venture continue to be robust. Average occupancy pushed the 80% mark during the Quarter, a continuation of previous steady growth. The facilities positioning as a mid tier property continues to attract a higher ADR than other properties in the market area. Recent rate increases moved the ADR higher in comparison to the previous quarter and prior year results.

Table Game Revenue

Table play and revenue sharing is regulated in Alberta by the Alberta Gaming and Liquor Commission. In general terms, Drop is the total amount of money anted and bet by players at most table games. Hold is the amount won from the drop at each table. Hold as a percentage of the drop will fluctuate. The hold is shared in varying percentages between charities and the casino operator dependant on the size and location of the casino. The game of Poker has a pot rather than a drop. The pot is the total amount anted and bet by players at a poker table. Rake is the total amount of the pot that is retained by the table and is usually a flat fee for each hand played. Rake is shared 25%/75% by the charity and casino operator respectively. Financial statements of the Fund report only the net table win being the operator's portion of the hold or rake.

Table Games	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
All Others	3,437.2	2,885.1	19.1%	1,682.3	1,304.5	29.0%	1,754.8	(4.1%)
Poker	540.2	429.5	25.8%	263.4	222.9	18.1%	276.9	(4.9%)
Caribbean Stud	104.4	122.9	(15.1%)	52.3	61.0	(14.3%)	52.1	0.3%
	4,081.7	3,437.5	18.7%	1,997.9	1,588.4	25.8%	2,083.8	(4.1%)

(in thousands of dollars unless stated otherwise)

Tables (# of)	at the end of Q2			vs. previous quarter	
	2007	2006	+(-)	Q4 2006	+(-)
All Others	33.0	33.0	0.0	33.0	0.0
Poker	9.2	9.2	0.0	9.2	0.0
Caribbean Stud	2.4	2.4	0.0	2.4	0.0
	44.6	44.6	0.0	44.6	0.0

(in thousands of dollars unless stated otherwise)

Fractional table figures result through the proportionate consolidation of the Deerfoot Joint Venture tables.

Total Period and Quarter table drops were 18% and 12% higher respectively compared to 2006 levels. The Deerfoot Joint Venture and Boomtown Casino both contributed to the increases while the Great Northern Casino was flat over these time periods. Improved staffing levels at Boomtown Casino allowed for more tables to be open to meet demand leading to and an increase in that facilities table drop. Total table hold % improved 1.5% and 1.2% respectively for the Period and Quarter over 2006 levels. The Deerfoot Joint Venture accounted for all this increase as hold % at Boomtown and Great Northern Casinos were flat to lower. Management is currently working on solutions to raise table hold percentages at both northern casinos to levels being achieved at the Deerfoot Joint Venture.

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 (‘Drop’) during hours of operation.

Slot Machine	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Revenue	11,437.9	9768.7	17.1%	5,952.1	5,046.1	18.0%	5,485.8	8.5%
Machines ¹	1,057.6	1,031.0	26.6	1,057.6	1,031.0	26.6	1,050.4	7.2

(in thousands of dollars unless stated otherwise)

¹ At the end of the Period or Quarter

Total slot drops increased dramatically for both the Period and Quarter compared to 2006 by 49% and 46% respectively. Slot drops for the Quarter improved 10% over the previous quarter totals. Both the Deerfoot Joint Venture and Boomtown Casinos made contributions to these increases while Great Northern Casino remained flat.

The Deerfoot Joint Venture received 18 additional slot machines during the Quarter. The slot machine count at the Deerfoot Joint Venture now totals 649 machines. Both the Great Northern and Boomtown Casino's remain unchanged each with 399 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	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Food & mix	1,893.5	1,458.1	29.9%	937.2	729.6	28.4%	956.3	(2.0%)
Liquor	4,205.2	3,132.9	34.2%	2,082.5	1,528.3	36.3%	2,122.7	(1.9%)
	6,098.7	4,591.0	32.8%	3,019.7	2,257.9	33.7%	3,079.0	(1.9%)
F&B Margins	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Food & mix	51.6%	45.2%	6.4%	51.3%	47.4%	3.9%	52.0%	(0.7%)
Liquor	78.3%	75.1%	3.2%	78.2%	75.4%	2.8%	78.5%	(0.3%)
Total	70.0%	65.6%	4.4%	69.8%	70.2%	4.2%	70.2%	(0.4%)

(in thousands of dollars unless stated otherwise)

Overall food and beverage operations continue to post impressive results. Year over year growth remains steady in the 30% plus range. A modest dip in sales during the Quarter compared to the previous quarter is expected for the business cycle.

Coming off a historically strong Q1, only Boomtown Casino recorded in an increase in F&B sales during the Quarter over the previous quarter. All properties recorded year over year growth for both the Period and Quarter. Year over year gains for the Deerfoot Joint Venture and Boomtown Casinos averaged 40% and

50% respectively for the Period and Quarter. Year over Year average gains at Great Northern Casino for the Period and Year were more modest at 11%.

A number of price increases at all properties over the later course of 2006 and early 2007 provide for the year over year improvements in margin on liquor sales. Improvements in food production costs, menu and pricing changes together with increased volume at the Deerfoot Joint Venture have all resulted in improvements to total year over year Fund food margins. A slight reduction in margin % from the previous quarter is largely the result of product mix variations.

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	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	159.3	153.1	4.1%	79.7	76.3	4.4%	79.7	0.0%

(in thousands of dollars unless stated otherwise)

Minor year over year increases are the result of adjusted common area cost estimates for 2007. These costs are passed onto the lessee in their monthly lease payments which combine base rent with common area cost estimates.

Other Revenue

Other revenue includes lottery ticket sales, movie rentals, automated teller fees (ATM), cigarette sales, ticket revenue and other miscellaneous service revenues at casinos and hotels.

Other	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	2,369.1	1,815.9	30.5%	1,251.4	935.9	33.7%	1,117.7	12.0%

(in thousands of dollars unless stated otherwise)

ATM revenues at both the Deerfoot Joint Venture and Boomtown Casino rose sharply in the Quarter compared to the prior year and prior quarter. ATM service fees are directly correlated to slot and table play.

Ticket sales and audio visual rentals at the Deerfoot Joint Venture also made a significant contribution to Period and Quarter comparative results.

Expenses

Total Expenses

Total Expenses	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	15,974.2	13,834.7	15.5%	8,077.3	7,031.3	14.9%	7,896.9	2.3%
% of Revenues	56.2%	59.8%	(3.6%)	56.3%	60.5%	(4.2%)	56.1%	0.2%

(in thousands of dollars unless stated otherwise)

Overall expenses are higher year over year on overall revenue growth. The Deerfoot Joint Venture and Boomtown Casino are credited with producing reductions in expenses as a percentage of total revenue on the strength of solid revenue growth.

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	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Operations	6,296.7	5,439.8	15.8%	3,250.5	2,786.3	16.7%	3,046.2	6.7%
General admin	216.6	206.4	4.9%	104.6	108.3	(3.5%)	112.0	(6.6%)
Trustee fees	71.5	72.0	(0.7%)	35.5	33.2	6.9%	36.0	(1.4%)
Management fees	639.7	383.3	66.9%	304.9	219.2	39.1%	334.8	(8.9%)
Total	7,224.5	6,101.6	18.4%	3,695.5	3,147.0	17.4%	3,529.0	4.7%
% of Revenues	25.4%	26.4%	(1.0%)	25.8%	27.1%	(1.3%)	25.1%	0.7%

(in thousands of dollars unless stated otherwise)

Improved overall year over year comparative results reflect the increased operational activity that is also reflected in revenues. Solid revenue growth has produced efficiencies that are lowering the overall human resource costs as a percentage of overall revenue.

Wages for front line staff were adjusted in the later half of March 2007. Tactical adjustments were made to certain disciplines and locals where we had not kept up to market realities. The full impact of these wage adjustments is reflected in comparative results for the Quarter versus the previous quarter.

At the outset of the year operational management, previously salaried, was contracted. The new arrangement included a signing bonus and further resulted in a reclassification of the current year expense from general administration to management fees. Comparative results for the Period and Quarter reflect this new contract.

Marketing and Promotions

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

Marketing	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	1,050.7	694.1	51.4%	586.6	397.3	47.7%	464.0	26.4%
% of Revenues	3.7%	3.0%	0.7%	4.1%	3.4%	0.7%	3.3%	0.8%

(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.

During the Quarter management stepped up efforts at the Deerfoot Joint Venture to attract higher limit gamers and additional advertising was done to promote Service Plus while new hotel properties in Grande Prairie do the same.

Operating Costs

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

Operating	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	3,071.9	2,570.6	19.5%	1,550.2	1,254.5	23.6%	1,521.8	1.9%
% of Revenues	10.8%	11.1%	(0.3%)	10.8%	10.8%	0.0%	10.8%	0.0%

(in thousands of dollars unless stated otherwise)

Year over year comparative figures fell within normal ranges for the Period and Quarter.

Lower occupancies at Service Plus during the Quarter allowed for overdue maintenance to be completed. Hallway and guest room carpeting, lobby flooring and pool area maintenance began during the Quarter and will continue until complete through the end of the year. Stockpiled snow in Grande Prairie was hauled away in April. A number of big name acts entertained at the Fund's facilities during the Quarter. These areas of increased expenditure were offset by reductions in utility costs and the absence of AGLC due diligence fees incurred during the previous quarter.

General and Administrative

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

General & admin	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	953.4	907.9	5.0%	405.0	438.8	(7.7%)	548.4	(26.2%)
% of Revenues	3.4%	3.9%	(0.6%)	2.8%	3.8%	(1.0%)	3.9%	(1.1%)

(in thousands of dollars unless stated otherwise)

Year over year comparative figures benefit from the high fixed cost components in this category being measured over a growing revenue base.

Compared to the previous quarter, percentage of revenue calculations improved on the absence during the Quarter of one time audit fees and annual membership fees.

Amortizations

Amortizations	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	1,107.4	1,187.9	(6.8%)	553.7	594.4	(6.8%)	553.7	0.0%
% of Revenues	3.9%	5.1%	(1.2%)	3.9%	5.1%	(1.3%)	3.9%	0.0%

(in thousands of dollars unless stated otherwise)

Period amortization is lower than comparative quarters in 2006 due to declining balances in the cost base for amortizations calculated as a percentage of the non-amortized asset values.

Interest

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

Interest	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Total	549.1	645.1	(14.9%)	284.9	365.4	(22.0%)	264.2	7.8%
% of Revenues	1.9%	2.8%	(0.9%)	2.0%	3.1%	(1.2%)	1.9%	0.1%

(in thousands of dollars unless stated otherwise)

The Fund has a \$9.0 million term loan with revolving terms at bank prime plus 1%. The Fund began the year with \$2.0 million outstanding on this loan. The outstanding balance was \$8.0 million at the start of the Period and \$6.5 million at the end of the Period. Surplus cash generated by the Fund is routinely applied against the outstanding balance of this loan to reduce ongoing interest expenses.

The Deerfoot Joint Venture has a term loan 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 \$20.2 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 are included in the above table.

Facilities

Capital Expenditures	Q2 (six months)			Q2 (three months)			vs. previous quarter	
	2007	2006	+(-)	2007	2006	+(-)	Q1 2007	+(-)
Maintenance	150.6	139.2	8.2%	103.1	124.2	(17.0%)	49.9	106.6%
Expansion	0.0	1,347.2	(100.0%)	0.0	478.4	(100.0%)	0.0	0.0%
	150.6	1,486.4	(89.9%)	103.1	602.6	(82.9%)	49.9	106.6%

(in thousands of dollars unless stated otherwise)

Cash counting equipment was upgraded to facilitate TITO implementation at the Deerfoot Joint Venture. Continued improvements were made to security systems at Great Northern Casino and sound systems were improved at Boomtown Casino. These three items were the most significant capital expenditures during the Quarter making up 77% of maintenance capital spent. Miscellaneous computer equipment and furniture round out spending during the Quarter.

Financial Condition

Liquidity and Capital Resources

Assets totaled \$92.8 million for the Fund at the end of the Period, an increase of \$1.1 million from December 31, 2006. Cash and cash equivalents totaled \$10.0 million, up \$2.0 million for the Period.

The Limited Partnership extended the term of its \$9,000,000 revolving term loan with the Canadian Western Bank (“CWB”). The loan now matures on May 15, 2008. Coupled with the extension was a reduction in the floating interest rate to 1.0% from 1.5% above the CWB Prime Lending Rate. We began the year with a \$2.0 million balance on this loan. 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, \$2.5 million in surplus cash has been applied against the loan including \$1.5 million during the Quarter to reduce interest charges. At the end of the Period there is \$6.5 million outstanding. 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 Fund has a 40% Participating Interest Responsibility for debt of the Deerfoot Joint Venture. At the end of the Period the Deerfoot Joint Venture had \$20.2 million remaining on a term debt instrument. The loan is secured by the Deerfoot Joint Venture’s land and building. Interest on the loan floats at 1.0% above the CWB Prime Lending Rate. The CWB Prime Lending Rate at the end of the Period was 6.25% per annum. The loan is structured in two segments. The outstanding balance of the first segment, the demand non-revolving portion, is \$20.2 million. The outstanding balance of the second segment, a \$2 million demand revolving portion, is \$nil. The Fund’s portion of the total of both segments of this loan is 40% or \$8.1 million. The Deerfoot Joint Venture loan has the following performance covenants:

1. Maximum debt to equity ratio of 3.00:1.00
2. Minimum debt service coverage of 1.25:1.00

The Fund is required by the Alberta Gaming and Liquor Commission to maintain a Minimum Continuing Net Working Capital Position (“MCNWCP”) to support its gaming operations. Available credit remaining on the \$9 million term facility and the \$2 million revolving portion of the Deerfoot Joint Venture debt is considered working capital for the purpose of calculating MCNWCP. The Fund regularly runs a large surplus to MCNWCP.

Distributable cash from operations

The Fund declared monthly cash distributions of \$0.20 per unit for each month during the Quarter. Declared distributions are paid on or about the 15th of the month following declaration.

Distributable cash is a non-GAAP measure. For its own purposes, the Fund defined the 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. 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.

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 followed CICA guidelines issued prior to the interpretive release for reporting distributable cash in previous interim reports. The Fund will adopt the reporting methodology outlined in the CICA’s July 2007 interpretive release for future periods.

Productive capacity

The Fund’s assets are in buildings, land 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 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 649 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 appropriately treated as operational expenses at the time they are incurred and as such are already included in the periodic cash flow from operating activities as reported in financial statements. From time to time, however, there are capital costs that would be paid for by cash generated from operating activities rather than borrowed money. Examples of these costs for the Fund would be converting to keyless entry on guest room access doors or the installation of digital security. These later capital costs 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 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 gaming licenses issued by the Alberta Gaming and Liquor Commission. Holders of charitable gaming 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. No capital outlay is required by the Fund. The Fund’s gaming licenses have consistently received favourable results from investigations conducted by the Alberta Gaming and Liquor Commission.

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 reserve cash for other purposes such as but not limited to potential or planned capital expansions that will be paid out of operating cash flow.

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/drawings on revolving debt instruments. It has been the practice of the Fund to draw on revolving debt to meet obligations for special distributions when and if they are declared.

Financing restrictions on distributions caused by debt covenants

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

A second 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.

It should be noted as well that the Fund is required to maintain a Minimum Continuing Net Working Capital position ("MCNWCP") as stipulated by the Alberta Gaming and Liquor Commission. The Fund regularly maintains a large cushion to this requirement.

Excess of cash flows from operations over cash distributions declared

As Fund payout ratios would indicate, management, with the approval of trustees, has chosen to payout less than the full amount of distributable cash from operations. The total of all adjustments made to cash provided by operations in arriving at distributable cash from operations is less than the Fund's available tax shield. The Fund has typically used the full amount of available annual tax shield which provides management the flexibility to use the excess cash for, but not limited to, the principal portion of amortized loan payments and payments on revolving loans to reduce interest expenses. Additional amounts of excess cash flow from operations over cash distributions declared is held as reserve for unforeseen circumstances or new opportunities. The payout ratios resulting from these practices are easily maintained and should provide unit holders confidence that current cash distributions are sustainable.

Summary of Distributable Cash	six months ended June 30		three months ended June 30		Since Inception
	2007	2006	2007	2006	
Cash from operating activities (see Statements of Cash Flows)	13,283	8,683	6,169	4,430	69,828
Less adjustment for:					
Productive capacity maintenance	151	136	103	121	829
Discretionary and other items	-	1,177	-	486	2,725
Financing restrictions caused by debt covenants	767	313	385	249	1,775
Distributable cash from operations	12,364	7,057	5,681	3,575	64,499
Cash distributions	8,091	5,699	4,222	2,533	46,050
Cash distributions/unit	\$1.15	\$0.81	\$0.60	\$0.36	\$6.55
Payout ratio	65.4%	80.8%	74.3%	70.9%	71.4%
Excess (Shortfall) of distributable cash from operations over cash distributions declared	4,273	1,358	1,334	1,042	18,450
Excess (Shortfall) of net income over cash distributions declared	4,363	3,602	2,046	2,060	20,317

(in thousands of dollars unless stated otherwise)

Tax attributes of cash distributions to unit holders

The Fund has held back from distribution to unit holders cash in excess of the Fund's available tax shield. In the past and for the foreseeable future, available tax shield will exceed any normal adjustments made to cash provided by operations in determining distributable cash from operations. As a result, payout ratios of less than 100% of distributable cash from operations should be expected.

In the first half of December each year, management, based on earnings projections to the end of the calendar year, will calculate a special distribution recommendation for the approval of trustees. The recommendation will ensure the tax position of the trust is nil. Individual unit holders, therefore, can expect their distributions to be mostly taxable as income excepting a small portion which will be considered as return of capital for tax purposes. Historical attributes are provided here for reference.

<u>Tax Attributes</u>	<u>Income</u>	<u>ROC</u>	<u>Total</u>
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%



Business Risks and Outlook

Economic Outlook

Independent forecasts for drilling activity in the energy sector have been reduced for 2007. The reduction in drilling activity followed on the heels of spring breakup which has had some impact on our Grande Prairie facilities. The Alberta economy as a whole remains strong and is expected to outpace the rest of Canada for the remainder of 2007.

Competition

The Tsuu T'ina First Nation will open the Grey Eagle Casino in the fall of 2007 on the western edge of Calgary. A firm opening date is not known, but management of the new casino has scheduled job fairs to recruit line staff on three dates in August 2007. Economically, the new facility should have little impact on the Deerfoot Joint Venture. The Tsuu T'ina casino will not be subject to the City of Calgary non-smoking restrictions that come into effect in 2008.

Evergreen Park, a small horse racing track immediately south of Grande Prairie now operates 99 slot machines. This additional slot capacity is contributing to the flattening of revenues at the Fund's Great Northern Casino.

Non-smoking

The City of Calgary's new non-smoking bylaw is effective January 1, 2008. The Deerfoot Joint Venture will have to contend with this non-smoking provision.

The Regional Municipality of Wood Buffalo in which the Boomtown Casino resides surprised us with first reading of a non-smoking bylaw on May 22, 2007. The new bylaw, passed on June 15, 2007, will become effective September 1, 2007. As a result, smoking will no longer be allowed in enclosed space at the casino following this date. The bylaw excludes non-enclosed spaces and management has begun construction of a secure exterior heated space that will satisfy the provisions of the bylaw and permit patrons and staff to smoke on site.

Government

Additional details on the Federal Government's "Tax Fairness Plan" for the income trust sector are still forthcoming. Announcements thus far state trust earnings will be taxed at 31% prior to distribution to unit holders. The new taxation will not become affective for the Fund until the beginning of 2011. The government's plan also includes limitations on the growth of existing trusts. Management continues to evaluate options in response to the planned tax restructuring and will make prudent use of the four year transition period to determine our own course of action once final details of the proposed tax changes are known.

Ticket In Ticket Out (TITO)

Implementation of TITO upgrades to slot machines at the Deerfoot Joint Venture began in mid July 2007 and will be completed August 1, 2007. Conversion of slot machines to TITO at Boomtown Casino is scheduled for October 2007 with Great Northern Casino to follow in Q1 2008. TITO reduces the need for cash on the gaming floor and the frequent conversions of coin to cash on player winnings. Experience in other jurisdictions indicates implementation of this technology reduces labour costs associated with handling cash and moderately increases the total amount of cash played resulting in higher net win to the operator.

July 31, 2007