



**2004 Annual
Report to Unitholders
for the twelve month period ended December 31, 2004**

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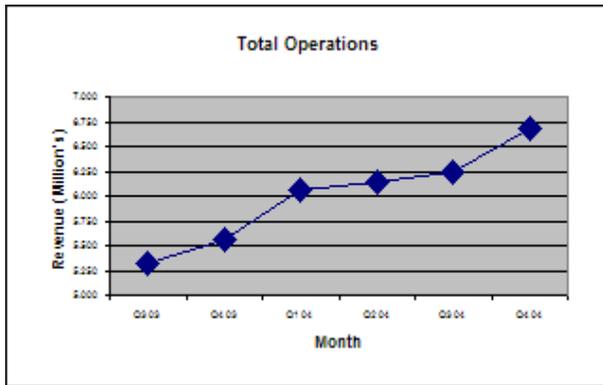


To our Unitholders,

The Trustees and management of Gamehost Income Fund are pleased to present annual financial results for the twelve month period ended December 31, 2004.

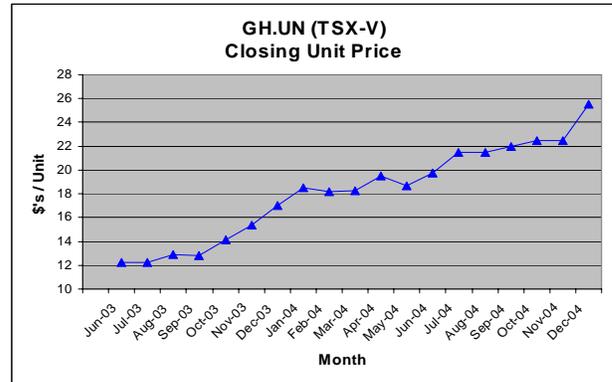
FIVE CONSECUTIVE QUARTERS OF GROWTH

Since our first interim report in September 2003, quarterly revenues have climbed 26% from \$5.3 million to \$6.7 million in Q4 of 2004. Year over year, quarter four revenues grew by 21% from \$5.6 million in 2003. Total revenue for the year totaled \$25.2 million with earnings before all interest, taxes, depreciation and amortizations (EBITDA) of \$13.8 million and EBITDA margins of 54.5%. These results substantially exceeded internal forecasts.



UNIT PRICE CONTINUES CLIMB

Since inception of the Fund in June of 2003, the Fund's per unit price has climbed from the initial offering price of \$10.00/unit to a closing price of \$25.50 at December 31, 2004 for a total increase of 155%. The one year increase to December 31, 2004 totaled 50%.



SPECIAL YEAR END CASH DISTRIBUTION

During the calendar year, the Fund maintained a monthly distribution of \$0.12/unit. In December, consistent with the mandate of the Trust Agreement, trustees declared a special distribution of \$0.28/unit to eliminate any potential tax liability in the Fund. The distribution during the year totaled \$1.72/unit.

JOINT VENTURE PROGRESSES

Construction of the Deerfoot Inn & Casino facilities in Calgary is progressing normally with no change to our projected startup in the final quarter of 2005. The structural work is complete and efforts are now focused on interior framing and fixturing. The Fund has met all cash requirements for our 40% equity interest in the venture. At the outset of the project, the Fund arranged for a term loan to finance our interest in the project. Our first drawing on the loan occurred in November 2004 with the balance of cash provided from surplus generated by operations.



SUCCESSFUL OPERATIONS

Casino operations set records for revenue generation during quarter four. Twenty six additional slot machines were introduced in the casinos over the quarter. Food and beverage services offered within the casinos also set revenue records during the quarter and made a significant contribution to overall growth.

Hotel operations showed positive results by posting a second straight quarter of higher occupancy rates and revenue generation. Along with most service sectors of the economy, the hotel industry is benefiting from the economic boom generated by the energy sector. The last quarter of the calendar year is typically a highpoint in the annual business cycle of the hotel industry in Grande Prairie as energy companies make the most of favourable operating conditions.

LOOKING AHEAD

The overall business outlook for Alberta remains positive for 2005. We look forward to continued growth from exiting operations. A proposed expansion of Boomtown Casino has been moved to Step 2 of Alberta Gaming and Liquor Commission's 3 step review process which could see floor space doubled to 24,000 square feet. The extra space will allow us to offer better quality live entertainment in an expanded lounge and show area. Plans also include improvements to the poker room and administration space in addition to accommodating additional slot machines. Operational planning is underway for the new Calgary facility. We hope you share our excitement for what this new destination will offer the Calgary entertainment, convention and gaming scene and what it will bring to the Fund in terms of growth.

Our appreciation is extended to all of our staff who strive as we do for excellence in all that they do each and every day to make the Gamehost experience one to return to.

Sincerely,

Signed "David J. Will"

David J. Will
Chairman, Gamehost Management Inc.

signed "Darcy J. Will"

Darcy J. Will
Trustee, Gamehost Income Fund



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 a 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 currently under construction in 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 12 month period ended December 31, 2004 (the “Period”). Consolidated financial statements for the Period have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Readers are cautioned that only the Period financial results are audited. Quarterly figures and comparisons have neither been audited nor reviewed and are provided for information only. This report makes reference to earnings before interest, taxes, depreciation and amortization (EBITDA). Readers are made aware that EBITDA is a non-GAAP measure and is provided for information only. It should not be relied upon as a sole measure of performance.

The Fund began operations on June 1, 2003. For reporting purposes, the Fund is treated as a new entity. As a result, 12 month prior year financial information is not available for comparison to the Period. Management discussion and analysis is therefore limited to a more general discussion of activities and comparison to quarter three of the current fiscal year and quarter four of the previous fiscal year.

Facilities

The Fund spent \$82 thousand on furniture, fixtures & equipment during the Quarter. The bulk of all capital spending was directed to the ongoing funding requirements for the Deerfoot Inn & Casino Joint Venture. During the Quarter, the Fund contributed \$3.6 million to the Joint Venture representing balances paid or accrued as determined by the Joint Ventures cash requirements forecast and the Fund’s 47.75% contributing responsibility. The Fund’s equity contribution to the project based on the original project budget is now paid in full.

The structural component of the Joint Venture project is now complete. The building is fully enclosed and work is progressing on interior framing, mechanical/electrical and fixturing. The project is on track to be completed on budget by the end of the fourth quarter of 2005.

Gaming equipment operated by the Fund’s two casinos is owned by Alberta Liquor and Gaming Commission (“AGLC”). The AGLC added twenty (20) additional slot machines at the Fund’s casinos in October and a further six (6) in December bringing the total number of machines at calendar year end to 582.

Revenues

Fourth quarter combined revenues totaled \$6.74 million, an increase of \$494 thousand or 7.9% from the previous quarter and an increase of \$1.19 million or 21.4% from the same quarter a year earlier.

Hotel rooming revenue – includes accommodation and meeting room rentals at the hotel. Quarterly rooming revenue was up for the second consecutive quarter to \$858 thousand for an increase of \$88.4 thousand or 11.5% from the previous quarter. Year over year, quarterly revenues show an increase of \$20 thousand or 2.4%. Occupancy rates for the quarter rose to 79.2% compared to 69.9% in the previous quarter. A marketing strategy of holding room rates steady and focusing on highly personalized service has been steadily followed by management. Rate reductions would be detrimental to the market as a whole which has added capacity over the past year. An initial drop in occupancy was experienced as clientele experimented with the newly constructed hotels. Most of this clientele have returned resulting in an increase in market share as the market is now split between a larger number of competitors. We are encouraged by this and believe it says a lot about management's attention to personalized service and clean, well managed facilities.

Table game revenue – for the Quarter was up marginally from the previous quarter by \$16 thousand to \$1.03 million. This is reflective of a recent change in Great Northern Casino's ("GNC") percentage of the table hold. On September 22nd, AGLC changed GNC's percentage hold from 75% to 65% as outlined in the AGLC's terms and conditions. This change coincided with GNC's change in casino classification when we moved from classification as a "minor" casino into the casino category allowing a maximum 400 slot machines. Management made the decision to change classifications believing reduction in table revenues would be more than offset by increased slot revenues in the longer term. Boomtown Casino ("BTC") is still classed as "minor". Combined table revenues at the two casinos in the Quarter were up \$82 thousand from quarter four in 2003 or 8.7%.

Slot machine revenue – at BTC set a new record for the Quarter and GNC was only slightly off their previous high quarter. Slot revenues totaled \$3.04 million, an increase of \$113 thousand or 3.9% over the previous quarter. Year over year, revenues for the fourth quarter were up \$638 thousand or 26.6%. GNC received 20 new slot machines in October and a further 6 in December. Total slot machines at both GNC and BTC at the end of the calendar year were 376 and 206 respectively.

The Fund's casinos generate revenue via commissions paid by AGLC for operating AGLC owned slot machines and from a percentage of winnings on table games owned and operated by the Fund.

Food, beverage and entertainment revenue – for the Quarter totaled \$1.19 million. This amounted to a \$217 thousand or 22.2% increase from the previous quarter and a 33.4% increase over Q4 of 2003 when revenues totaled \$895 thousand. Both casinos set record food and beverage revenues during the Quarter with December being an exceptionally strong month at GNC due to a focus on booking corporate Christmas parties.

Lease and rental revenue – includes three leases in the retail strip complex in Grande Prairie as well as lease and rental revenues generated within the casinos from 3rd party providers of on premises food services. Revenues in the Quarter of \$63 thousand were lower by \$11 thousand from quarter three. The annual common area costs were significantly less than those estimated and were included in the tenant's monthly lease payments set at the outset of the year. As a result, refunds were issued to the three tenants of the Grande Prairie retail complex. Quarter revenues were up \$15 thousand from the same quarter in 2003 as a result of base rental cost increases taking effect for retail complex tenants at the start of the calendar year. All three tenants are completing their first year of a five year renewal option.

In late October, a new 3rd party owner assumed the lease and operation of the food services at GNC. We are very pleased with the sustained high quality of the food and service being provided. There is no change to the monthly lease amount.

Other revenue – includes, among other items, automated teller fees ("ATM"), movie rentals, cigarette sales etc. Revenue for the Quarter totaled \$565 thousand, an increase of \$70 thousand or 14% from quarter three and an

increase of \$137 thousand or 30% from the same quarter in 2003. Compared to the previous quarter, ATM transaction fees are up \$24 thousand, ticket and special event sales are up \$12 thousand which is reflective of seasonal party events. A gain on the purchase and resale of the business assets of the Kakwa café within GNC resulted in a gain on sale of \$22 thousand. Interest revenue increased \$6 thousand as a result of a change in accounting treatment. Interest revenues are no longer netted against bank charges. A new promissory note issued to the new owner/operator of the Kakwa Café is also generating higher interest. The remainder of the increase was earned on guest services at the hotel.

Expenses

Total expenses – excluding amortizations. For the Quarter, these costs totaled \$3.2 million or 47.7% of sales. This amounts to an increase of \$494 thousand over the previous quarter when these costs represented 43.7% of sales. As a percentage of revenue, these costs have trended lower as we achieve economies of scale. These costs represent 45.5% of total sales for the Period. In 2003, they represented 49.1% of total sales for an overall reduction of 3.6%.

Salaries and wages – for the Quarter totaled \$1.6 million, an increase of \$260 thousand or 19% from the previous quarter. The quarterly figure includes year end bonuses to operational and administrative staff as well as an adjustment to management fee accruals as a result of resolutions passed by the Board of Trustees. Annual remuneration for Trustees based on Compensation Committee recommendations totaling \$133 thousand are also included. The higher costs are also reflective of added staffing required for Christmas banquets hosted by GNC. Human resource costs for the Quarter are \$327 thousand or 24.9% higher than for the same quarter in the previous year. Expressed as a % of sales, these costs are equal to those for the period ended December 31, 2003 at 23% and equal to the comparative quarter in 2003 at 24%.

Marketing and promotions – expenses are essentially flat in comparison to the previous quarter. Compared to the same quarter in 2003, they are up \$58 thousand or 38%. Management has taken a planned approach to promoting the facilities and operations on an event by event basis. Management is making a concerted effort to improve the quality of promotions by being more targeted in their approach and more professional in design. The addition of a full time sales and marketing position is allowing us to make more individual contact with target groups. Once in the facilities, individuals are given more personalized attention including promotional food and beverages to make the experience a positive one. This, we believe, is encouraging longer stays and increasing the traffic past gaming tables and slot machines. Expressed as a % of sales, these costs are expectedly higher than for the period ended December 31, 2003 and the comparative quarter in 2003 by 0.1% and 0.4% respectively.

Operating – expenses increased \$214 thousand or 37% to \$785 for the Quarter from \$570 thousand in quarter three. The bulk of the increase is explained by \$26 thousand in increased spending on entertainers performing during the Christmas pre-season, an increase of \$15 thousand on repairs and maintenance and \$20 thousand in increased spending on supplies for the hotel and banquet supplies for GNC. The largest portion of the increase was \$110 thousand for the facility lease costs at Boomtown Casino. Lease amounts for Boomtown are calculated as a fixed base amount plus a % of revenue over a specified threshold. The annual term of the lease is June 1 to May 31. Casino revenues usually surpass the threshold at which % revenue calculations are added to the base in the fourth or fifth month of the annual lease term. As a result, lease expenses began including the % revenue surcharge during the quarter. Compared to the same quarter in 2003 these costs are \$29 thousand higher. Expressed as a % of sales, these costs are lower than for the period ended December 31, 2003 by 3.8% and lower for the comparative quarter in 2003 by 2.0%.

General and administrative – expenses for the Quarter totaled \$102 thousand, an \$89 thousand decrease from previous quarter expenses. Management fees previously recorded here are now reclassified as Human resources. Favourable results from this reclassification are partially offset by higher corporate travel costs. Expressed as a % of sales, these costs are marginally higher than the period ended December 31, 2003 by 0.2% and lower for the comparative quarter in 2003 by 1.7%.

Amortization – of \$260 thousand was expensed for the Quarter. Amortization based on existing working assets at scheduled depreciation rates is expensed evenly over the fiscal year for accounting purposes and adjusted for additions/deletions at year end. As a result, an additional \$4 thousand adjustment was made to account for the difference between estimated and actual annual depreciation in December.

Net Earnings

Earnings before amortization and income allocation to Class B limited partners for the Quarter totaled \$3.5 million, marginally higher than the previous quarter, and an increase of \$754 thousand or 27% over the same quarter in 2003.

Quarterly Summary

Quarterly net income (earnings after income allocations to Class B Limited Partnership unitholders and amortizations) expressed on a per unit basis has increased steadily since 2003. Returns in the Quarter for unitholders increased \$.019/unit or 4.1% over the previous quarter and \$0.142 or 41.6% from the same quarter one year earlier.

	2004				2003
	Q4	Q3	Q2	Q1	Q4
In thousands of dollars except per unit amts					
Total revenue	\$6,745	\$6,251	\$6,175	\$6,076	\$5,554
Net income	\$1,509	\$1,507	\$1,467	\$1,392	\$1,106
Net income /unit	\$0.465	\$0.464	\$0.452	\$0.429	\$0.341

Liquidity and Capital Resources

Assets total \$76.5 million for the Fund at the end of the Period, an increase of \$6.3 million from the prior year period. Cash and cash equivalents total \$5.2 million versus \$4.1 million at the end of the prior year.

The Fund has access to \$7.0 million in term financing from the Canadian Western Bank (“CWB”). The loan is secured by the Fund’s casino and hotel assets in Grande Prairie. Interest on the term loan floats at 1.5% above the CWB prime lending rate. The loan will mature 30 months from the date of the initial advance which was made November 9, 2004.

The Fund, at inception, held a \$2.1 million investment in the Joint Venture. At the end of the Period, the Fund’s investment in the Joint Venture stands at \$8.09 million. The increase in the investment in the Joint Venture during the fiscal year totals \$6.0 million of which \$1.0 million was unpaid at the end of the year.

A term loan arranged for the intended purpose of financing the Fund’s equity interest in the Joint Venture was drawn on to a total of \$2.3 million. The balance of \$4.4 million was financed from surplus cash generated by operations. An additional \$1.5 million was drawn from the term loan in January 2005 to meet the Fund’s obligation for a special cash distribution declared in December and payable in January 2005. Interest on the term loan was deferred and minimized by this arrangement.

The Fund is required by the AGLC to maintain a Minimum Continuing Net Working Capital Position (“MCNWCP”) to support its gaming operations. Available credit remaining on the \$7 million credit facility with CWB is considered working capital for the purpose of calculating MCNWCP. The Fund operates well above the MCNWCP required by the AGLC.

Capital Expenditures

Capital Expenditures for the Period total \$6.0 million and for the Quarter \$3.7 million. Except for \$82 thousand in expenditures for various furniture, fixtures and minor leasehold improvements, the balance of these totals were made or accrued to honor the Fund's financial obligation to the Joint Venture.

Distributable Cash

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

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

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

Gamehost Income Fund announced monthly distributions of \$0.12 per unit for each month during the Period. In addition, the fund declared a special distribution of \$0.28 per unit for the month of December. Regular monthly distributions of \$0.12 per unit resumed in the new year. A distribution for the month of January 2005 was declared in January 2005. 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 \$11.94 million (\$1.697/unit) in distributable cash and declared distributions of \$12.10 million (\$1.720/unit).

Summary of Distributable Cash

For the twelve months ended December 31, 2004

	Total
Net earnings for the period	\$ 12,726,463
Add:	
Amortization of property, plant & equipment	1,028,430
Less:	
Estimate for CCA, CEC and ECE	(1,814,220)
Distributable cash generated	<u>\$ 11,940,673</u>
Distributable cash generated/unit	<u>\$ 1.697</u>
Distributions declared	<u>\$ 12,101,664</u>
Distributions declared/unit	<u>\$ 1.720</u>

Business Risks and Outlook



The energy and construction sectors of northern Alberta continue to perform at or near record levels. 2005 looks to continue this high level of activity.

An application for a competing traditional casino license for Grande Prairie was closed by the AGLC citing insufficient market capacity in the area to support a second casino. Conclusion of an application prior to receiving approval as this one was results in the AGLC giving no further consideration to any new casino facilities in the community for a period of two years. As a result, for the near term, Great Northern Casino will remain the only casino establishment within the city.

A proposed expansion of Boomtown Casino in Ft. McMurray is progressing through the regulatory stages. If approved, an additional 11,550 sq. ft. of space will be added by expanding into vacated space adjacent to existing facilities. Approximately 30% of the added space will be dedicated to gaming and will accommodate up to 193 additional slot machines. The remaining portion of the expansion will be comprised of improvements to administrative, kitchen, lounge, washroom and security amenities.

More attention is being directed towards the operational aspects of the Joint Venture project in anticipation of a fall 2005 opening. As the largest percentage owner in the venture, the Fund will assume responsibility for all corporate administrative functions for the new facilities as well as implementing policies and procedures which have already proven themselves in current operations.

Forward-looking Statements

This management 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 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. The reader is cautioned that actual results may not be consistent with these forward-looking statements.

March 8, 2005

Auditors Report

To the Unitholders of Gamehost Income Fund

We have audited the consolidated balance sheets of Gamehost Income Fund (“the Fund”) as at December 31, 2004 and 2003 and the consolidated statement of unitholders’ equity, consolidated statement of operations and consolidated statement of cash flows for the year ended December 31, 2004 and for the seven months ended December 31, 2003. These consolidated financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and 2003 and the results of its changes in unitholders’ equity, operations and its cash flows for the year ended December 31, 2004 and for the seven months ended December 31, 2003 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Red Deer, Alberta
March 8, 2005



Consolidated Balance Sheets

(audited)

	December 31, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,238,021	\$ 4,106,951
Accounts receivable	431,643	557,728
Current portion of notes receivable	24,423	28,210
Inventories	82,688	62,154
Prepaid expenses	36,544	65,355
Due from related parties (note 8)	216,522	-
	<u>6,029,841</u>	<u>4,820,398</u>
Notes receivable (note 4)	113,914	77,193
Property, plant & equipment (note 7)	24,277,603	19,316,493
Licenses (note 5)	3,500,000	3,500,000
Goodwill	42,579,216	42,579,216
	<u>\$ 76,500,574</u>	<u>\$ 70,293,300</u>
Liabilities and unitholder equity		
Current liabilities:		
Accounts payable	\$ 1,876,660	\$ 344,509
Accrued liabilities	685,841	803,940
Term loan (note 6)	2,300,000	-
Due to related parties (note 8)	-	164,472
Unitholder distributions payable	2,814,340	809,123
	<u>7,676,841</u>	<u>2,122,044</u>
Class B limited partnership units (note 10)	38,306,640	37,970,276
	<u>45,983,481</u>	<u>40,092,320</u>
Unitholders' equity (note 11)	30,517,093	30,200,980
	<u>\$ 76,500,574</u>	<u>\$ 70,293,300</u>
Commitments (note 12)		
Subsequent events (note 15)		
Guarantees (note 17)		

See accompanying notes to consolidated financial statements

On behalf of the Board:

David J. Will, Trustee

Darcy J. Will, Trustee

Signed "David J. Will"

Signed "Darcy J. Will"



Consolidated Statements of Unitholders' Equity

	Period ended December 31 (<i>audited</i>)		three months ended December 31 (<i>unaudited</i>)	
	2004 twelve months	2003 seven months	2004	2003
Balance at the beginning of the period	\$ 30,200,980	\$ -	\$ 31,086,863	\$ 30,283,831
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)	-	(1,340)
Reorganization costs	27,679	(2,358,777)	-	(67,234)
Net income	5,875,082	2,693,930	1,508,983	1,106,301
Distributions to unitholders	<u>(5,586,648)</u>	<u>(2,614,681)</u>	<u>(2,078,753)</u>	<u>(1,120,578)</u>
Balance at the end of the period	<u>\$ 30,517,093</u>	<u>\$ 30,200,980</u>	<u>\$ 30,517,093</u>	<u>\$ 30,200,980</u>

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

	Period ended		three months ended	
	December 31 (<i>audited</i>)		December 31 (<i>unaudited</i>)	
	2004	2003	2004	2003
	twelve months	seven months		
Revenue				
Hotel - rooming	\$ 3,283,118	\$ 1,937,776	\$ 857,505	\$ 837,623
Table games	4,204,401	2,265,676	1,027,725	946,251
Slot machines	11,384,681	5,370,322	3,037,910	2,400,200
Food and beverage services	4,050,914	1,874,491	1,194,459	895,084
Lease revenues	281,373	117,358	62,530	47,125
Other	2,041,939	964,807	564,787	428,178
	<u>25,246,426</u>	<u>12,530,430</u>	<u>6,744,916</u>	<u>5,554,461</u>
Expenses				
Cost of goods sold	1,644,678	802,038	482,195	381,773
Human resources	5,785,418	2,892,067	1,638,299	1,311,431
Marketing and promotions	693,489	337,368	209,232	151,439
Operating	2,650,642	1,791,300	785,003	755,924
Corporate and general administration	717,306	330,698	101,763	179,868
	<u>11,491,533</u>	<u>6,153,471</u>	<u>3,216,492</u>	<u>2,780,435</u>
Earnings before amortization and income allocation to Class B limited partners	13,754,893	6,376,959	3,528,424	2,774,026
Amortization	(1,028,430)	(541,574)	(259,700)	(377,582)
Income allocation to Class B limited partners	<u>(6,851,381)</u>	<u>(3,141,455)</u>	<u>(1,759,741)</u>	<u>(1,290,143)</u>
Net income	<u>\$ 5,875,082</u>	<u>\$ 2,693,930</u>	<u>\$ 1,508,983</u>	<u>\$ 1,106,301</u>
Earnings per unit				
Basic	<u>\$ 1.809</u>	<u>\$ 0.829</u>	<u>\$ 0.465</u>	<u>\$ 0.341</u>

Weighted average number of units (note 11)

See accompanying notes to the consolidated financial statements

Consolidated Statements of Cash Flows

	Period ended		three months ended	
	December 31 (audited)		December 31 (unaudited)	
	2004	2003	2004	2003
	twelve months	seven months		
Cash provided by (used for) operations				
Net income	\$ 5,875,082	\$ 2,693,930	\$ 1,508,983	\$ 1,106,301
Add non-cash items:				
Allocation of net income to Class B Limited Partners	6,851,381	3,141,455	1,759,741	1,290,143
Amortization of property, plant & equipment	1,028,430	541,574	259,700	377,582
	<u>13,754,893</u>	<u>6,376,959</u>	<u>3,528,424</u>	<u>2,774,026</u>
Net changes in non-cash working capital:				
Accounts receivable	93,151	(557,728)	(193,236)	(1,271)
Inventories	(20,534)	(62,154)	(6,634)	3,016
Prepaid expenses	28,811	(65,355)	117,957	58,286
Accounts payable and accrued liabilities	386,621	1,148,447	(84,405)	(222,463)
	<u>14,242,942</u>	<u>6,840,169</u>	<u>3,362,106</u>	<u>2,611,594</u>
Financing				
Advances to/from related parties (note 8)	(380,994)	164,472	(207,535)	164,472
Proceeds from sale of units	-	20,500,000	-	(918)
Drawings from Term Loan	2,300,000	-	2,300,000	-
Reorganization costs	27,679	(2,358,777)	-	(67,234)
Distributions to Class B Limited Partners	(5,435,493)	(2,613,582)	(1,363,608)	(1,306,791)
Unitholder distributions	(4,660,954)	(2,241,155)	(1,169,299)	(1,120,578)
	<u>(8,149,762)</u>	<u>13,450,958</u>	<u>(440,442)</u>	<u>(2,331,049)</u>
Investments				
Purchase of goodwill and licenses	-	(7,544,990)	-	-
Purchase of property, plant & equip	(4,962,110)	(8,639,186)	(2,698,568)	(45,637)
	<u>(4,962,110)</u>	<u>(16,184,176)</u>	<u>(2,698,568)</u>	<u>(45,637)</u>
Increase in cash and cash equivalents	1,131,070	4,106,951	223,096	234,908
Opening cash and cash equivalents	4,106,951	-	5,014,925	3,872,043
Closing cash and cash equivalents	<u>\$ 5,238,021</u>	<u>\$ 4,106,951</u>	<u>\$ 5,238,021</u>	<u>\$ 4,106,951</u>
Supplemental cash flow information:				
Cash interest paid	\$ 127,887	\$ 769	\$ 127,606	-
Cash interest received	51,660	-	15,368	-

Non monetary transaction:

\$1,027,431 in development costs payable are presented in this statement not as Accounts payable and accrued liabilities but a reduction to Purchase of property, plant & equip for both the Period and Quarter. This correctly reflects the cash component of these investments.

Summary of the plan of arrangement (note 1)

See accompanying notes to financial statements



Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(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)	15,778,000	7,400,000	14,700,000	37,878,000
	<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

twelve months ended December 31, 2004

(audited)

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Fund have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality.

Principles of Consolidation

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

Estimates

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and credit card accounts.

Inventories

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

Property, plant & equipment

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

Land improvements	- 2% straight line
Buildings	- 5% reducing balance
Leaseholds	- 5 to 7 years straight line
Furniture, fixtures and equipment	- 20% - 30% reducing balance

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and licenses

Goodwill and licenses with indefinite useful lives will not be amortized but tested annually for impairment. The Fund reviews the goodwill and licenses annually to determine if the carrying amounts exceed its fair value. Where the carrying value exceeds its fair value, a charge against net income is recorded in the period in which the impairment occurred. Based on management's review, the Fund does not believe that impairment in the carrying value of the goodwill and licenses has occurred and no provision for impairment has been recorded in these financial statements.

Long lived assets

Long-lived assets consist primarily of property, plant, equipment, goodwill and licenses.

For purposes of recognizing and measuring an impairment loss, long-lived assets will be grouped with other assets and liabilities to form an asset group. The makeup of these asset groups will follow the same allocation as reported in Note 12 - Segmented Information which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As at December 31, 2004, there are no events or circumstances indicating that the carrying value of long-lived assets may not be recoverable.

Revenue recognition

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

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

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

Joint Ventures

Joint ventures are accounted for using the proportionate consolidation method.

Income taxes

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

3. REGULATIONS

The Fund's gaming operations are subject to regulations imposed by the Alberta Gaming & Liquor Commission. The Fund has a letter of guarantee in favor of Alberta Gaming & Liquor Commission in the amount of \$18,000 for the purpose of purchasing liquor.



Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

4. NOTE RECEIVABLE

	2004	2003
Promissory note and accrued interest	\$ 138,337	\$ 105,403
Less current portion	<u>(24,423)</u>	<u>(28,210)</u>
Notes receivable	<u>\$ 113,914</u>	<u>\$ 77,193</u>
Estimated principal repayments are:		
2005	\$ 24,423	
2006	26,450	
2007	28,644	
2008	31,010	
2009	27,810	

On October 28, 2004, the Fund purchased the equipment, leaseholds and inventory of the Kakwa Café for a total of \$114,995 (cancellation of the principal and accrued interest of the previous notes receivable of \$81,980 plus cash of \$33,015). On October 28, 2004, the Fund then sold the equipment, leaseholds and inventory to a non-related party in exchange for a new note receivable of \$142,121. The transaction resulted in a gain of \$22,006. The gain on the sale has been recorded as other revenue.

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

5. LICENSES

Licenses were acquired on June 1, 2003. The licenses are considered to have indefinite lives because they are expected to generate cash flow indefinitely. Licenses were originally granted based on an application for a Traditional Casino Gaming License through the AGLC. The application process is arduous, consisting of 8 steps. The license is renewed annually following an exhaustive audit conducted by AGLC to test compliance with AGLC regulated Terms & Conditions. The Fund's business controls and procedures are designed to comply with all the Terms and Conditions and AGLC audit findings have consistently determined satisfactory outcomes.

6. TERM LOAN

The Fund secured a \$7,000,000 term loan with the Canadian Western Bank ("CWB"). As at December 31, 2004, the Fund was advanced \$2.3 million. Proceeds of the loan are being used to meet the Fund's contributing responsibility for both equity financing and startup operating capital of the Joint Venture. Terms of the loan include a floating interest rate at 1.5% above CWB prime (effective interest rate at December 31, 2004 was 5.75%). The repayment schedule allows for interest only payments to maturity of the loan in May, 2007. The loan is secured by the hotel and casino assets in Grande Prairie. In January 2005, an additional \$1.5 million was advanced on the term loan.

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

7. PROPERTY, PLANT & EQUIPMENT

Included in property, plant & equipment is the carrying value of two ongoing projects. The Deerfoot Inn and Casino Inc. joint venture is a work-in-progress. The Fund's interest in the project totals \$8.09 million consisting of land of \$1.83 million (2003 - \$1.83 million), and development costs of \$6.25 million (2003 - \$0.2 million).

Included in buildings is \$6,252,481 (2003 - \$244,745) in work-in-progress relating to the joint Venture project in Calgary. A further \$2,165 included in work-in-progress relates to a potential expansion of Boomtown Casino and is included in the cost of buildings.

No amortization has been recorded in the accounts pertaining to these projects. Interest and fees totaling \$83,123 incurred on a term financing instrument for the Joint Venture has been capitalized to the project.

2004	Accumulated		Net Book
	Cost	Amortization	Value
Land	\$ 3,832,600	\$ -	\$ 3,832,600
Land improvements	962,987	28,466	934,521
Buildings	18,812,841	934,606	17,878,235
Leaseholds	273,147	57,855	215,292
Furniture, fixtures and equipment	1,966,033	549,078	1,416,955
	<u>\$ 25,847,608</u>	<u>\$ 1,570,005</u>	<u>\$ 24,277,603</u>

2003	Accumulated		Net Book
	Cost	Amortization	Value
Land	\$ 3,832,600	\$ -	\$ 3,832,600
Land improvements	948,856	9,489	939,367
Buildings	12,975,270	318,263	12,657,007
Leaseholds	259,808	18,809	240,999
Furniture, fixtures and equipment	1,841,533	195,013	1,646,520
	<u>\$ 19,858,067</u>	<u>\$ 541,574</u>	<u>\$ 19,316,493</u>

Included in land improvements net book value \$110,819 (2003 - \$111,949), buildings net book value of \$810,187 (2003 - \$830,415) and signs net book value of \$16,399 (2003 - \$17,999) are assets which are rented to third parties.

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

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

8. RELATED PARTY TRANSACTIONS

The acquisition of assets under the Plan of Arrangement (see Note 1) was conducted between related parties. Will Inns Ltd. is controlled by Mr. David J. Will and Boomtown Casino Ltd. is controlled by Mr. Darcy J. Will. Mr. David J. Will and Mr. Darcy J. Will are former directors of Service Plus Hospitality Ltd.

Under the Plan of Arrangement, a substantive change in ownership occurred pursuant to a private placement of 2,050,000 special warrants which were converted on a one-for-one basis with Fund Units. The acquisition amounts of the purchased assets are recorded at fair value as supported by independent evidence. (see Note 1).

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

Included in human resource costs and accrued payables are \$283,416 accrued to Mr. David J. Will and Mr. Darcy J. Will for management services provided to the Fund. In 2003, this remuneration totaled \$360,000 paid to Mr. David J. Will and Mr. Darcy J. Will through Gamehost Management Inc. Gamehost Management Inc. is controlled by Mr. David J. Will and Mr. Darcy J. Will. Current compensation amounts are based on 2% of distributable cash as approved by the Board.

Due from related party is \$216,522 (2003 - \$nil) due from Winners Gaming Corp. Winners Gaming Corp. is controlled by Mr. Darcy J. Will. The amount was repaid immediately following the end of the Period. Due to related party of \$nil (2003 - \$164,472) was due to DJ Will Holdings Limited. DJ Will Holdings Limited is controlled by Mr. David J. Will.

The Fund paid \$6,515,017 (2003 - \$3,049,179) to DJ Will Holdings Limited, Will Inns Ltd. and Boomtown Casino Ltd. who own all of the Class B Partnership Units as disclosed in Note 9. DJ Will Holdings Limited and Will Inns Ltd. is controlled by Mr. David J. Will and Boomtown Casino Ltd. is controlled by Mr. Darcy J. Will.

Related party transactions are measured at the exchange amounts which are the amounts agreed to by the related parties.

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

9. DISTRIBUTIONS

The Fund declared distributions totaling \$12,101,664 for the Period (2003 - \$5,663,860) which included regular monthly planned distributions of \$0.12/unit and a special year end distribution of \$0.40/unit (2003 - \$0.115/unit x seven months). The special distribution was declared in order to eliminate the potential for taxable income in the Fund consistent with the mandate of the trust agreement.

2004 Distribution Summary

Month	Date Declared	Record Date	Date Paid	Distribution per Unit
January	15-Jan-04	31-Jan-04	15-Feb-04	\$0.12
February	16-Feb-04	29-Feb-04	15-Mar-04	\$0.12
March	15-Mar-04	31-Mar-04	15-Apr-04	\$0.12
April	21-Apr-04	30-Apr-04	17-May-04	\$0.12
May	18-May-04	31-May-04	15-Jun-04	\$0.12
June	17-Jun-04	30-Jun-04	15-Jul-04	\$0.12
July	08-Jul-04	31-Jul-04	16-Aug-04	\$0.12
August	11-Aug-04	31-Aug-04	15-Sep-04	\$0.12
September	20-Sep-04	30-Sep-04	15-Oct-04	\$0.12
October	21-Oct-04	31-Oct-04	15-Nov-04	\$0.12
November	18-Nov-04	30-Nov-04	15-Dec-04	\$0.12
December	17-Dec-04	31-Dec-04	01-Jan-05	\$0.40
Total Declared distributions				\$1.72

Distributions declared in December 2004, payable at the end of the Period, of \$2,814,340 (2003 - \$809,123) represent distributions on 7,035,851 units (2003 - 7,035,851).

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

10. CLASS B PARTNERSHIP UNITS

	2004		2003	
	Units	\$	Units	\$
Balance at the beginning of the period	3,787,800	\$ 37,970,276	-	\$ -
Issued in exchange for property, plant & equipment, licenses and goodwill	-	-	3,787,800	37,878,000
Net income	-	6,851,381	-	3,141,455
Distributions to unitholders	-	(6,515,017)	-	(3,049,179)
Balance at the end of the period	<u>3,787,800</u>	<u>\$ 38,306,640</u>	<u>3,787,800</u>	<u>\$ 37,970,276</u>
Partners				
DJ Will Holdings Limited	1,577,800		1,577,800	
Boomtown Casino Limited	1,470,000		1,470,000	
Will Inns Ltd	<u>740,000</u>		<u>740,000</u>	
Total	<u>3,787,800</u>		<u>3,787,800</u>	

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.

11. FUND UNITS

	2004		2003	
	Units	\$	Units	\$
Balance at the beginning of the period	3,248,051	\$ 30,200,980	-	\$ -
Issued upon exchange of shares of Service Plus Hospitality Ltd.	-	-	1,198,195	11,981,948
Issued pursuant to offering memorandum	-	-	2,050,000	20,500,000
Reorganization costs	-	27,679	-	(2,358,777)
Returned to treasury	-	-	(144)	(1,440)
Net income	-	5,875,082	-	2,693,930
Distributions to unitholders	-	(5,586,648)	-	(2,614,681)
Balance at the end of the period	<u>3,248,051</u>	<u>\$ 30,517,093</u>	<u>3,248,051</u>	<u>\$ 30,200,980</u>



Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

11. FUND UNITS (cont)

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.

12. COMMITMENTS

Operating leases

The Fund has certain commitments for office equipment as well as premise rent for one of its Casino locations that expires in 2009. At December 31, 2004, the future minimum commitment payments were as follows:

2005	\$	265,326
2006		279,867
2007		277,499
2008		266,868
2009		118,508

Deerfoot Inn & Casino Joint Venture

The Fund is committed through the Deerfoot Inn & Casino Inc. Joint Venture to build and develop a hotel, casino, convention centre in Calgary, Alberta. The capital budget is \$40.03 million of which the Fund is a contributing partner for 47.75% of the equity interest. The Funds' equity interest is fully paid at the end of the Period. The fund is also responsible for its 40% participating interest in any startup capital required for the operation of the facility.

13. 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 division includes the operations of the motor hotel and commercial real estate. The gaming division includes the operations of the casino facilities. 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

twelve months ended December 31, 2004

(audited)

13. SEGMENTED INFORMATION (cont)

2004

	Hotel	Gaming	Food & Beverage	General Administration	Consolidated
Operations					
Total revenue	\$ 3,610,424	\$ 17,511,120	\$ 4,031,537	\$ 93,345	\$ 25,246,426
Amortization	488,904	308,000	205,334	26,192	1,028,430
Corporate & general admin	236,158	194,103	129,402	157,643	717,306
Cost of Goods Sold	72,756	-	1,571,922	-	1,644,678
Human Resources	751,270	3,181,464	1,060,488	792,196	5,785,418
Marketing & Promotions	147,059	304,214	202,809	39,407	693,489
Operating	447,696	1,166,001	977,227	59,718	2,650,642
Total Expenses	2,143,843	5,153,782	4,147,182	1,075,156	12,519,963
Net Income	\$ 1,466,581	\$ 12,357,338	(\$ 115,645)	(\$ 981,811)	\$ 12,726,463
Income allocation to LP Units					(6,851,381)
Net income					\$ 5,875,082

Property, Plant & Equipment (PPE) and Intangibles

Goodwill and Licenses	\$ 4,579,216	\$ 41,500,000	\$ -	\$ -	\$ 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	(158,076)	135,437	-	2,280	(20,359)
Boomtown - WIP	-	728	758	679	2,165
Joint Venture - WIP	3,304,254	1,802,322	901,160	-	6,007,736
	3,146,178	1,938,487	901,918	2,959	5,989,542
Total PPE	\$ 13,395,633	\$ 7,703,646	\$ 4,641,489	\$ 106,841	\$ 25,847,609

Total PPE -Net Book Value

Hotel	\$ 8,201,429
Gaming	4,754,423
Food and beverage	3,169,615
General administration	64,890
Projects in progress	8,087,246
	\$ 24,277,603



Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

13. SEGMENTED INFORMATION (cont)

2003 (seven months)

	Hotel	Gaming	Food & Beverage	General Administration	Consolidated
Operations					
Total revenue	\$ 2,095,799	\$ 8,555,721	\$ 1,873,307	\$ 5,603	\$ 12,530,430
Amortization	258,506	172,927	106,386	3,755	541,574
Corporate & general admin	28,804	78,269	52,180	171,445	330,698
Cost of Goods Sold	40,551	-	761,487	-	802,038
Human Resources	428,462	1,261,835	841,224	360,546	2,892,067
Marketing & Promotions	83,769	148,927	99,284	5,388	337,368
Operating	289,049	901,351	600,900	-	1,791,300
Total Expenses	1,129,141	2,563,309	2,461,461	541,134	6,695,045
Net Income	\$ 966,658	\$ 5,992,412	(\$ 588,154)	(\$ 535,531)	\$ 5,835,385
Income allocation to LP Units					(3,141,455)
Net income					\$ 2,693,930

Property, Plant & Equipment (PPE) and Intangibles

Goodwill and Licenses	\$ 4,579,216	\$ 41,500,000	\$ -	\$ -	\$ 46,079,216
PPE acquired through Plan of Arrangement					
Working assets	9,106,915	3,408,168	3,416,433	82,249	16,013,765
GNC expansion - WIP	-	973,415	-	-	973,415
Joint Venture - WIP	1,124,861	613,561	306,780	-	2,045,202
	10,231,776	4,995,144	3,723,213	82,249	19,032,382
PPE - Expenditures During the Period					
Working assets	-	-	11,537	21,633	33,170
GNC expansion - WIP	-	760,372	-	-	760,372
Joint Venture - WIP	17,679	9,643	4,821	-	32,143
	17,679	770,015	16,358	21,633	825,685
Total PPE	\$ 10,249,455	\$ 5,765,159	\$ 3,739,571	\$ 103,882	\$ 19,858,067

Total PPE -Net Book Value

Hotel	\$ 8,848,409
Gaming	5,125,433
Food and beverage	3,240,678
General administration	24,628
Projects in progress	2,077,345
	\$ 19,316,493



Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

14. INVESTMENT IN JOINT VENTURE

The Fund is invested in Deerfoot Inn & Casino Inc. Joint Venture, a hotel/convention/entertainment/gaming joint venture project in Calgary, Alberta. The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Interest in this joint venture. The Fund's consolidated financial statements 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:

	2004	2003
Cash	\$ 441,384	\$ 11,419
Other current assets	<u>364,579</u>	<u>2,148</u>
Total current assets	805,963	13,567
Non-current assets	<u>8,001,958</u>	<u>2,075,548</u>
	<u>\$ 8,807,921</u>	<u>\$ 2,089,115</u>
Current Liabilities	\$ 1,027,431	\$ -
Equity	<u>7,780,490</u>	<u>2,089,115</u>
	<u>\$ 8,807,921</u>	<u>\$ 2,089,115</u>
Operating activities	\$ (365,764)	\$ (351)
Investing activities	(4,898,979)	(2,077,345)
Financing activities	<u>5,694,708</u>	<u>2,089,115</u>
Increase in cash	429,965	11,419
Beginning cash	<u>11,419</u>	<u>-</u>
Ending cash	<u>\$ 441,384</u>	<u>\$ 11,419</u>

The Fund has recorded a loss on the joint venture operations of \$3,333.

The Fund is contingently liable for the other participants' portion of the liabilities of this joint venture. However, all of the assets of the joint venture are available for the purpose of satisfying such obligation. No provision for any contingent amount payable has been accrued to these financial statements.

15. SUBSEQUENT EVENTS

The Fund has applied to the AGLC for expansion of Boomtown Casino in Ft. McMurray, Alberta. On January 14, 2005, the application was advanced to step 2 of the AGLC's casino expansions/relocation process.

The approval process for a casino facility expansion or relocation consists of three steps:

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

15. SUBSEQUENT EVENTS (cont)

- **Step one...** The AGLC will conduct an initial assessment to determine whether a proposed expansion or major relocation meets basic criteria related to market demand, benefits to charitable groups, and impact on other charitable gaming activities in the community. A casino facility licensee initiates this step by providing the AGLC with a written proposal for the expansion or major relocation of an existing licensed casino facility.
- **Step two...** The Board of the AGLC will consider community support, or the lack thereof, as expressed through the municipal council. The AGLC will formally notify the council that they have received a request for expansion or major relocation, and may conclude the process if in the Board's view the council does not support the expansion or major relocation of an existing casino facility in the community. If the council is silent and there is no demonstrated opposition to the concept of expansion or major relocation, the Board at its discretion may decide to continue the application process.
- **Step three...** If all requirements for a gaming facility are met (federal and provincial legislation, regulation, and policies, and municipal requirements, permits, licenses or authorizations) the AGLC will approve or license the expansion or major relocation.

Trustee's remuneration

Recommendations of the Compensation Committee have been approved by the Board concerning trustee remuneration. Trustees will be compensated \$21,000 annually for their service on the board as well as \$500 per meeting plus expenses for meetings attended. Amounts totaling \$132,500 were accrued for the Period.

16. FINANCIAL INSTRUMENTS

Fair value

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

The fair value of the Class B Partnership Units approximates their fair value. The LP Units are, to the greatest extent possible, the economic equivalent to a Fund Unit. They are exchangeable by the holder on a one-for-one basis into Fund Units. As such, the LP Units are treated as being equivalent to Fund Units.

Credit risk

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

The Fund does not believe it is exposed to an unusual level of customer risk.

Interest Rate Risk

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



Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(audited)

16. FINANCIAL INSTRUMENTS (continued)

Exchange rate risk

The Fund purchases some product from the United States. The Fund is exposed, in its normal course of operations, to exchange rate risk from foreign exchange rate fluctuations. Accounts subject to exchange rates are recorded at the exchange rate as at December 31, 2004 which may differ when the accounts are settled. Any differences in the settled amounts are recorded as part of sales or cost of sales.

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

17. GUARANTEES

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

18. COMPARATIVE FIGURES

Comparative figures for 2003 are based on seven months as the entity began operation under the plan of arrangement as disclosed in Note 1 on June 1, 2003.

Certain comparative figures have been reclassified to conform to the current year method of presentation.

19. PROGRESSIVE JACKPOT FUNDS

Included in cash and cash equivalents is \$425,056 (2003 - \$256,859) and accounts payable is \$384,097 (2003 - \$243,140) relating to progressive jackpot funds. The progressive jackpot funds assets are not available for use for general operations but are set aside for any potential payout to progressive jackpot winners.

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(unaudited)

20. SUPPORTING SCHEDULES FOR UNAUDITED FIGURES

Interim financial statements of the Fund are not independently audited or reviewed. For the reader's consideration, unaudited comparable financial information for the three months ended December 31, 2004 have been shown next to audited Period results. Supporting notes to financial statements for the comparative three months ended December 31, 2004 and December 31, 2003 follow.

SCHEDULE A - SEGMENTED INFORMATION (unaudited)

three months ended December 31, 2004

	Hotel	Gaming	Food & Beverage	General Administration	Consolidated
Operations					
Total revenue	\$ 940,231	\$ 4,578,093	\$ 1,183,135	\$ 43,457	\$ 6,744,916
Amortization	119,008	80,280	53,521	6,891	259,700
Corporate & General admin	62,937	46,463	30,975	(38,612)	101,763
Cost of Goods Sold	25,233	-	456,962	-	482,195
Human Resources	201,984	835,618	278,539	322,158	1,638,299
Marketing & Promotions	37,452	96,220	64,146	11,414	209,232
Operating	116,837	331,270	277,097	59,799	785,003
Total Expenses	563,451	1,389,851	1,161,240	361,650	3,476,192
Income	\$ 376,780	\$ 3,188,242	\$ 21,895	(\$ 318,193)	\$ 3,268,724
Income allocation to LP Units					(1,759,741)
Net income					\$ 1,508,983

Notes to Consolidated Financial Statements
 twelve months ended December 31, 2004
 (unaudited)

SCHEDULE A (cont) - SEGMENTED INFORMATION (unaudited)

three months ended December 31, 2003

	Hotel	Gaming	Food & Beverage	General Administration	Consolidated
Operations					
Total revenue	\$ 908,843	\$ 2,619,454	\$ 1,873,307	\$ 152,857	\$ 5,554,461
Amortization	125,540	145,901	106,386	(245)	377,582
Corporate & General admin	28,804	78,268	52,179	20,617	179,868
Cost of Goods Sold	17,853	-	363,920	-	381,773
Human Resources	197,849	575,098	383,398	155,086	1,311,431
Marketing & Promotions	41,345	63,945	42,630	3,519	151,439
Operating	108,236	388,613	259,075	-	755,924
Total Expenses	519,627	1,251,825	1,207,588	178,977	3,158,017
Income	\$ 389,216	\$ 1,367,629	\$ 665,719	(\$ 26,120)	\$ 2,396,444
Income allocation to LP Units					(1,290,143)
Net income					\$ 1,106,301

Notes to Consolidated Financial Statements

twelve months ended December 31, 2004

(unaudited)

SCHEDULE B - INVESTMENT IN JOINT VENTURE (unaudited)

The Fund is invested in Deerfoot Inn & Casino Inc. Joint Venture, a hotel/convention/entertainment/gaming joint venture project in Calgary, Alberta. The Fund holds a 40% Participating Interest and a 47.75% Project Contributing Interest in this joint venture. The Fund's consolidated financial statements 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:

	three months ended	
	December 31 (unaudited)	
	2004	2003
Cash Flow		
Operating activities	(\$ 2,876)	-
Investing activities	(2,719,573)	-
Financing activities	2,574,808	-
Increase(decrease) in cash	(147,641)	-
Beginning cash	588,975	-
Ending cash	\$ 441,334	-

2003 interim financial statements did not include notes to the Investment in the Joint Venture, therefore, none are provided for comparison.

The Fund is contingently liable for the other participants' portion of the liabilities of this joint venture. However, all of the assets of the joint venture are available for the purpose of satisfying such obligation. No provision for any contingent amount payable has been accrued to these financial statements.