GAMING AND ENTERTAINMENT GROUP LIMITED
ABN 45 008 740 672

2004 Annual Report

Directors
Bryan Frost
Richard Revelins
Jeremy Cooper

Secretary & Chief Financial Officer
Phillip Hains

Registered Office and Principal Place of Business
Suite 2
1233 High Street
Armadale Victoria 3143 Australia
Telephone: +61 3 9824 8166
Facsimile: +61 3 9824 8161

The Company is listed on the Australian Stock Exchange Limited - Symbol "GAM" (shares).

Auditors
Bentleys MRI
Level 7
114 William Street
Melbourne Victoria 3000 Australia

Share Registry
Security Transfers Registrars
770 Canning Highway
Applecross Western Australia 6153 Australia

Bankers
National Australia Bank Limited
North Sydney Business Banking Centre
Level 16
100 Miller Street
North Sydney New South Wales 2060 Australia

Australian Solicitors
Oakley Thompson & Co
Level 17
500 Collins Street
Melbourne Victoria 3000 Australia

Foreign Currency
Certain United States dollar and Vanuatu Vatu amounts are quoted in this report. At 30 June 2004, the approximate exchange rate was A$1 equals US$0.695 and VU$81.331 respectively. (30 June 2003 A$1 equals US$0.669 and VU$ 85.4580 respectively).

Dear Shareholder,

The Company's major undertaking remains its investment in Gaming & Entertainment Group Inc. ('G&EG"). During the year G&EG listed on the NASDAQ on the Over The Counter Bulletin Board (OTC-BB) which has created liquidity for the Company's securities. The business has continued to grow with a number of positive developments including a joint venture with UK based gaming machine operator and manufacturer Electrocoin whereby G&EG will provide its central-server software platform and library of games to Electrocoin who in turn intend to integrate this into their distribution base. G&EG also announced during the year the formation of BetBetBet247 Limited as a joint venture with UK and Ireland based independent bookmakers to market, sell, install, support and service new gaming and wagering devices and systems for these markets.

The operations of the Vanuatu Internet Data Centre (VIDC) again proved unsatisfactory and the Company has entered into arrangements to assign the operations to an independent operator. Although this activity has not had a significant drain on the Company's financial resources it was regarded as prudent to licence VIDC to an outside party and thereby limit the financial exposure.

During the year interests associated with the new board acquired a major shareholding in the Company from its former controlling shareholder. This change has distanced the Board of the Company from the operations of G&EG.

The Board has examined a number of investment proposals to generate new opportunities for the Company. It is anticipated that an agreement in relation to future direction and activities of the Company will be completed in the first half of the 2004-5 financial year at which point shareholders will be provided with the opportunity to consider and vote upon this matter.

On behalf of the Board I look forward to sharing with you our future strategy for the Company once we are in a position to make these arrangements known.

Yours faithfully,

Bryan Frost
Executive Chairman
23rd day of September, 2004.

A review of the Company's 'Corporate Governance Framework' has been performed in light of the 'Best Practice Recommendations' released by the Australian Stock Exchange Corporate Governance Council in March 2003. The Board of Directors has adopted a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries. The ongoing relevance and effectiveness of this framework will be periodically reviewed to reflect changing circumstances and ways of improving the practices.

Unless otherwise stated the Company has instituted new and additional Policies and Charters as of 6 September 2004 that meet the Best Practice Recommendations. All Charters and Policies are available from the Company.

Role of the Board and Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities are detailed in its Board Charter and cover:

1. Leadership of the organisation
2. Strategy formulation
3. Overseeing planning activities
4. Shareholder liaison
5. Monitoring, compliance and risk management
6. Company finances
7. Human resources
8. Ensuring the health, safety and well-being of Directors, Officers and Contractors
9. Delegation of authority
10. Remuneration policy
11. Nomination policy

Structure and Composition of the Board

The Board has been formed so that it has an effective mix of personnel who are committed to adequately discharging their responsibilities and duties, and be of value to the Company.

The names of the Directors, their independence, qualifications and experience are stated on pp. 9 to 11, along with the term of office held by each.

The Board believes that the interests of all Shareholders are best served by:

- Directors having the appropriate skills, experience and contacts within the Company's industry.
- The Company striving to have a balance between the overall number of Directors and the number of Directors being independent as defined in the ASX Corporate Governance Guidelines.
- Some major Shareholders being represented on the Board.

Consequently, there are no Directors on the Board at present that could be classified as 'Independent'. The number of Independent Directors on the Board will increase as the Company develops and the Board believes that it can attract appropriate Independent Directors with the necessary industry experience over time, and as the Company grows.

However, where any Director has material personal interest in a matter and, in accordance with the *Corporations Law*, the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of Shareholders, as a whole, is pursued and that their interest or the Director's independence is not jeopardised.

The Company believes that at this stage in its development, the most appropriate person for the position of Chairman is an Executive Officer of the Company. The Executive Officer's overall expertise has been crucial to the Company's development and negates any perceived lack of independence.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

The Company does not have a Nomination or Remuneration Committee as it is deemed to be more efficient to have the Full Board consider membership nominations and remuneration matters.

Ethical and Responsible Decision-Making

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company has a share trading policy that regulates the dealings by Directors, Officers and Employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that Directors, Officers, Employees and Consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in Company securities while in possession of unpublished price-sensitive information.

Integrity in Financial Reporting

In accordance with the Board's policy, the CEO and CFO have made attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

A duly constituted Audit Committee has been in existence since listing. The Committee's Charter has been recently overhauled to encompass the ASX Corporate Governance Council's 'Best Practice Recommendations', including the 'Responsibilities of Risk Management & Compliance'.

Currently, the Audit, Risk & Compliance Committee consists of one Non-Executive Director and one Executive Director (for experience and continuity), with the Committee Chairman being a Non-Executive Director. Due to the current composition of the Full Board, it is not possible to meet the recommendation to have a minimum of three Non-Executive Directors and the majority being independent. The current members of the Committee as at the date of this report, and their qualifications are detailed in the Directors' Profiles on pp 9 to 11.

The Committee holds a minimum of two meetings a year. Details of attendance of the members of the Audit Committee are contained on pp 15.

Timely and Balanced Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with ASXs' 'Listing Rules' the Company immediately notifies the ASX of information concerning the Company:

1. That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Rights of Shareholders

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

1. Communicating effectively with Shareholders through ongoing releases to the market via ASX information, mailed to Shareholders via Shareholder updates etc, and the General Meetings of the Company;
2. Giving Shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for Shareholders to participate in General Meetings of the Company; and
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer Shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

The Company makes available to Shareholders wishing to make inquiries, a telephone number and website, which is updated regularly with ASX announcements etc.

Recognise and Manage Risk

The Audit, Risk & Compliance Committee has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

The CEO and CFO have given a statement to the Board that:

a) In accordance with 'Best Practice Recommendation 4.1', that the Financial Statements are founded on a sound system of risk management and internal compliance and control which implements the Policies adopted by the Board.

b) The Company's 'Risk Management and Internal Compliance and Control System', in so far as it relates to financial risk, is operating effectively in all material respects.

Encourage Enhanced Performance

In the past 12 months the Board has not conducted a review and assessment of its performance.

A 'Performance Evaluation Policy' has been established to evaluate the performance of the Board, individual Directors and Executive Officers of the Company. Evaluations will be conducted at least on an annual basis against set performance criteria. The Board will be responsible for the evaluation process and may engage independent external advisors if thought appropriate to do so.

All Directors have full access to all Company records and receive Financial and Operation Reports at each Board Meeting.

All new Directors undergo an induction program.

Remunerate Fairly and Responsibly

The Company has not adopted a Remuneration Committee as it deemed the Full Board of the Company a more efficient mechanism to administer the Company's remuneration policy than a committee.

The Board is responsible for :

- Setting the remuneration and conditions of service of all Executive and Non-Executive Directors, Officers and Employees of the Company.
- Approving the design of Executive & Employee incentive plans (including equity-based plans and options) and proposed payments or awards under such plans.
- Reviewing performance hurdles associated with incentive plans.
- Making recommendations to the Board on the remuneration of Non-Executive Directors within the aggregate approved by Shareholders at General Meetings from time to time.
- Consulting appropriately qualified Consultants for advice on remuneration and other conditions of service.
- Succession planning for the CEO and Senior Executive Officers
- Performance assessment of the CEO and Senior Executives.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with 'Best Practice' as well as supporting the interests of Shareholders. Senior Executives receive a remuneration package based on fixed and variable components, determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance and subject to approval by Shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Current remuneration is disclosed in Note 5 on pp 24.

Legitimate Interests of Stakeholders

The Board acknowledges the legitimate interests of various stakeholders such as Employees, Clients, Customers, Government Authorities, Creditors and the Community as a whole. As a good Corporate Citizen, it encourages compliance and commitment to appropriate corporate practices that are fair and ethical via its 'Code of Conduct Policy'.

Your Directors present their report together with the financial report of Gaming and Entertainment Limited and of the economic entity, being the Company and its controlled entities for year ended 30 June 2004.

1. Directors

The names and particulars of the qualifications, experience and special responsibilities of the Directors in the office at the date of this report and at any time during or since the end of the financial year are:

Name & Qualifications	Age	Experience & Special Responsibilities
Bryan John Frost Executive Chairman (Appointed 21 July 2000)	64	Mr Frost was a partner of a Melbourne based stock broking firm until 1973, where he specialised in advising international investors, banks and investment funds on Australian arbitrage and investments. Over the past 30 years he has been involved in a number of public companies as an executive director and major shareholder and possesses extensive experience in financial engineering and management. Mr Frost was first a Director of the Company from 1993 to 1999 and is currently Executive Chairman of Yamarna Goldfields Limited, Prima Biomed Limited, Peregrine Corporate Limited and Cangold Limited (Vancouver).
Richard Revelins BEc Executive Director & CEO (Appointed 21 July 2000)	42	Mr Revelins has held senior executive positions in merchant banking and stock broking firms and has acted as an advisor to a number of public companies in such matters as takeovers, mergers and acquisitions, sale of businesses, debt and equity raisings and strategic financial advice. Currently a Director of Prima Biomed Limited, Yamarna Goldfields Limited, Peregrine Corporate Limited and Cangold Limited (Vancouver). He is Chairman of IM Medical Limited and Atlas Gold Limited and Company Secretary of Prana Biotechnology Limited. Member of the audit risk & compliance committee.

Name & Qualifications	Age	Experience & Special Responsibilities
Mr Jeremy Cooper BA MBA Non-Executive Director (Appointed 4 September 2003)	36	Mr Cooper has 14 years experience in senior management positions with major international corporations, focussing on strategy, business development and mergers and acquisitions. He obtained his BA from Cambridge University and his MBA from INSEAD. Since 2000 Mr Cooper has worked with a number of Australasian companies on corporate development activities including capital restructurings, ASX listings and mergers & acquisitions. Between 1997 and 2000, Mr Cooper spent three years with TXU, a global energy company, as Business Development Manager, based initially in Europe and then in Melbourne. Focusing on acquisitions and strategic development activities, Mr. Cooper assisted with the successful conclusion of a number of multi-million dollar transactions. These included the acquisitions of energy companies in Finland, Sweden and Australia. During 1996 Mr Cooper studied for his MBA at INSEAD in France. Between 1989 and 1995 Mr. Cooper worked throughout Asia and the Middle East with Cathay Pacific Airways Limited. Roles in Hong Kong included two years in International Affairs where he was responsible for the negotiation of bi-lateral air traffic rights agreements. Mr Cooper was also based in Indonesia (one year) and the Middle East (two years) where as Country Manager he was responsible for all management, marketing & sales and operations. Mr Cooper is currently Chairman of Select Vaccines Limited and a director of Premier Bionics Ltd, IM Medical Ltd, Peregrine Corporate Ltd and Lift Structures Ltd Chairman of the audit risk and compliance committee.

Name & Qualifications	Age	Experience & Special Responsibilities
Tibor Vertes LLB Chief Executive Officer (Appointed 21 June 1999) (Resigned 4 September 2003)	55	Mr Vertes has extensive experience in the Telecommunication and Financial Services Industry as the operational Director and Chairman of a number of corporations. Mr Vertes has experience both as a business lawyer and international business consultant previously having worked in Hong Kong and the USA. Member of the audit risk & compliance committee.
Mr Gregory Hrncir Non-Executive Director (Appointed 29 November 2002) (Resigned 4 September 2003)	37	Mr Hrncir has served as General Counsel of several large USA based software company's and has specialist experience in corporate and securities matters. Member of the audit risk & compliance committee.
Mr Steven Fornasaro CA Non-Executive Director and Company Secretary (Appointed 18 January 2000) (Resigned 4 September 2003)	38	Mr Fornasaro has 17 years experience in pubic practice and has specialist experience in secretarial and finance issues relating to publicly listed companies. He also has extensive experience regarding capital raising for public share offers and mezzanine funding. Chairman of the audit risk & compliance committee until resignation.

Directors' Interests in Shares and Options of the Company

The relevant interest of each Director in the shares or options over shares issued by the companies within the economic entity and other related body corporate as notified by the Directors to the Australian Stock Exchange in accordance with S.205G(1) of the Corporations Act 2001, as at the date of this report is as follows:

	Beneficially owned in the Company (held directly or indirectly)	
	Shares	**Options**
Bryan John Frost	3,700,282	7,255,350
Richard Revelins	3,330,282	4,677,225
Jeremy Cooper	125,000	590,350

2. Earnings per share

	Cents
Basic earnings/(loss) per share	(7.4)
Diluted earnings/(loss) per share	(7.4)

3. Dividends

No dividends have been paid or declared during the year. The Directors do not recommend the payment of a dividend.

4. Principal Activities

The principal activities of the consolidated entity have been the operation of an internet data centre specialising in online gaming hosting facilities and investments.

5. Operating Results

The net amount of the loss of the economic entity after income tax was $1,613,088 (2003: Loss of $1,646,210).

6. Review of Operations

During the financial year in review, Gaming and Entertainment Group Limited (Gaming) has maintained its interest in Gaming and Entertainment Group Inc. whilst evaluating a series of potential new activities for the Company.

Gaming & Entertainment Group Inc. (G&EG)

Gaming is a significant shareholder in G&EG, a company based in the U.S. which is a leading edge supplier of server-based gaming systems and networked interactive electronic bingo games for the Native American gaming market in the U.S. and Canadian gaming market. G&EG designs and develops gaming systems, software, game content and networks to offer a comprehensive gaming system. In Europe, G&EG supplies its server-based gaming system and game content library to amusement arcades (with monetary prizes), sports book betting shops, bingo halls and casinos. In addition, G&EG develops and licenses its comprehensive government accredited online gaming system to major land-based casino operators for utilisation outside of the United States.

In January 2004, G&EG commenced trading on the NASDAQ, on the Over The Counter Bulletin Board (OTC-BB) under the symbol GMEI.

Since listing on the NASDAQ, G&EG has furthered its activities around the world with the following highlights:

- In February 2004, G&EG announced that it's wholly owned, UK based subsidiary had entered into a Joint Venture with Electrocoin, to develop a range of video-based gaming machines for the UK market. Electrocoin will be the manufacturer and distributor, while G&EG will provide its central-server software platform and library of existing and future games. Electrocoin is the UKs leading manufacturer of Amusement With Prizes (AWP) and video games for the UK and European markets.
- Formation of BetBetBet247 Limited (BBB) as a joint venture between G&EG and independent bookmakers, with G&EG being the major shareholder. BBB plans to market, sell, install, support and service new gaming and wagering devices and systems for UK Ireland bookmakers under a common BBB brand and logo.
- The release of a range of video-based roulette games and the completion of its slot operating system for the AWP arcade market and Licensed Betting Offices (LBOs) in the United Kingdom and the Republic of Ireland. This marked a significant milestone for the Company. Completion of the Company's central-server gaming platform broaden G&EG's product range to encompass the needs of bricks and mortar gaming operators, allowing them to quickly and easily deploy new games electronically, and to monitor their performance without the traditional expense and inconvenience associated with relocating physical gaming machines and taking manual meter readings. The Company anticipates that the introduction of its Fixed Odds Betting Terminal (FOBT) and AWP roulette games will translate into sales of 300 devices to AWP arcade operators and LBO managers in the second half of 2004. The Company estimates that the sale of 300 devices will generate revenue of $1.8 million (USD) for the period.

- In June 2004, G&EG successfully completed a Private Placement raising $2.445 million USD, issuing shares with a free 1 for 1 warrant to purchase an equal amount of shares at an exercise price of $1.50 USD with a period of one year. The proceeds from the placement will be principally used for gaming licensing, regulatory certification of hardware and software product, and working capital.

Vanuatu Internet Data Centre (VIDC) & Online Gaming Systems (Malta)

VIDC enabled established brands to create a regulated casino on the internet, by providing regulated gaming software and operational infrastructure.

The operations in Vanuatu have proven unprofitable since commencement and accordingly the Company decided to enter into arrangements with a new operator who will operate VIDC under licence from the Company. Conditions in this market segment have been difficult and the Company does not anticipate a significant turn around in the immediate term. The licence arrangement should serve to mitigate potential future financial liability whilst leaving the Company with exposure to upside.

Malta operations provided similar solutions to VIDC. As these also proved to be unprofitable, they were sold in September 2003.

Summary

The Company currently intends to maintain its investment in G&EG and is actively investigating other opportunities which have the potential to provide shareholders with economic returns. Due diligence has been performed on a number of alternative investment proposals and it is anticipated that a number of new activities will be selected and secured during the next financial year.

7. Significant changes in the state of affairs

There were no significant changes in the state of affairs of the economic entity during the financial year that have not been disclosed elsewhere in the Annual Report:

8. Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

9. Likely Developments

The likely developments in the Company's operations, to the extent that such matters can be commented upon, are covered in the Review of Operations contained elsewhere in this Annual Report. In the opinion of the Directors, disclosure of information regarding the expected results of those operations in financial years after the current financial year is not predictable at this stage, or may prejudice the interests of the Company, accordingly this information has not been included in this report.

10. Environmental considerations

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

11. Share options

Unissued Shares

At the date of this report unissued ordinary shares of the Company under option are as follows:

Type	Expiry date	Exercise price	Number of shares
GAMO	1 July 2006	$0.15	25,491,181

Shares issued as a result of the exercise of options

65,402 ordinary shares were issued during the year or after balance date as a result of the exercise of options.

12. Directors' and Executive Officers' Emoluments

The emoluments of each Director of the parent Company are disclosed in Note 5 on pp.24.

13. Indemnification and Insurance of Directors

The Company and economic entity have not made any payments on account of liabilities for costs and expenses incurred in defending any proceedings against the Directors and have not made any agreement to indemnify the Directors. No such proceedings were taken against the Directors during the year.

Since the end of the previous financial year the Company has not paid insurance premiums in respect of Directors' and officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including executive officers and secretaries of its controlled entities.

14. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

15. Director's Meetings

During the year ended 30 June 2004, 12 Directors' Meetings and 2 Audit Committee Meetings were held. The number of meetings in which Directors were in attendance was as follows:

	Directors' Meetings		Audit Committee Meetings	
	Meetings held while in office	**Meetings attended**	**Meetings held while in office**	**Meetings attended**
Bryan John Frost	12	12	-	-
Tibor Vertes	1	1	-	-
Richard Revelins	12	12	2	2
Jeremy Cooper	11	11	2	2
Gregory Hrncir	1	1	-	-
Steven Fornasaro	1	0	-	-

Signed at Melbourne, Victoria this 23rd day of September, 2004 in accordance with a resolution of Directors.

Bryan Frost
Chairman

FOR THE YEAR ENDED 30 JUNE 2004

	Note	Economic Entity **2004** $	Economic Entity 2003 $	Parent Entity **2004** $	Parent Entity 2003 $
Revenues from ordinary activities	2	649,981	123,032	586,246	84,841
Write down of assets	3	(718,223)	(358,046)	(1,633,114)	(358,046)
Administration & Marketing		(358,559)	(370,019)	(332,231)	(303,184)
Depreciation		(77,265)	(76,434)	(1,012)	(836)
Doubtful debts		(28,552)	-	-	-
Director's fees		(312,250)	(266,850)	(312,250)	(266,850)
Consulting fees		(106,377)	(333,504)	(41,670)	(207,844)
Cost of shares sold		(470,246)	-	(470,246)	-
Legal and professional fees		(111,695)	(298,680)	(111,695)	(288,238)
Other expenses from ordinary activities		(79,902)	(65,709)	(31,104)	(22,057)
(Loss) from ordinary activities before income tax expense	3	(1,613,088)	(1,646,210)	(2,347,076)	(1,362,214)
Income tax (expense)/benefit relating to ordinary activities	7	-	-	-	-
(Loss) attributable to members of the parent entity	18	(1,613,088)	(1,646,210)	(2,347,076)	(1,362,214)
Net exchange difference on translation of financial report of self-sustaining foreign operations	17	(2,874)	(20,869)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(1,615,962)	(1,667,079)	(2,347,076)	(1,362,214)
Basic (loss) per share (cents per share)	8	(7.4)	(11.2)		
Diluted (loss) per share (cents per share)	8	(7.4)	(11.2)		

The Statement of Financial Performance is to be read in conjunction with the accompanying notes.

AS AT 30 JUNE 2004

	Note	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
CURRENT ASSETS					
Cash assets	9	905,679	697,068	905,526	618,484
Receivables	10	39,893	46,730	81,701	55,368
Other financial assets	11	1,853,707	8,000	1,853,707	8,000
Other	12	92,110	88,347	92,110	82,500
TOTAL CURRENT ASSETS		2,891,389	840,145	2,933,044	764,352
NON-CURRENT ASSETS					
Other financial assets	13	-	1,400,000	-	2,527,333
Plant and equipment	14	27,931	287,512	27,931	3,994
TOTAL NON-CURRENT ASSETS		27,931	1,687,512	27,931	2,531,327
TOTAL ASSETS		2,919,320	2,527,657	2,960,975	3,295,679
CURRENT LIABILITIES					
Payables	15	55,504	86,431	55,504	81,684
TOTAL CURRENT LIABILITIES		55,504	86,431	55,504	81,684
TOTAL LIABILITIES		55,504	86,431	55,504	81,684
NET ASSETS		2,863,816	2,441,226	2,905,471	3,213,995
EQUITY					
Contributed equity	16	15,089,735	13,051,183	15,089,735	13,051,183
Reserves	17	(23,743)	(20,869)	-	-
Accumulated losses	18	(12,202,176)	(10,589,088)	(12,184,264)	(9,837,188)
Total equity		2,863,816	2,441,226	2,905,471	3,213,995

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 30 JUNE 2004

	Note	Economic Entity 2004 $	Economic Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Cash flows from operating activities					
Cash received from customers		93,446	54,698	37,743	16,508
Payments to suppliers & employees		(1,014,937)	(1,394,609)	(841,090)	(1,206,859)
Interest received		23,967	68,334	23,967	68,334
Net cash (used in) operating activities	24(a)	(897,524)	(1,271,577)	(779,380)	(1,122,017)
Cash flows from investing activities					
Payments for plant & equipment		(28,943)	(74,455)	(28,943)	(4,438)
Proceeds on disposal of plant & equipment		-	1,750	-	1,750
Payments for purchase of equity investments		(1,344,588)	(332,333)	(1,344,588)	(332,333)
Proceeds from sale of equity investments		524,536	-	524,536	-
Loans to other entities		(211,049)	-	(123,083)	-
Loans repaid by other entities		211,049	-	-	-
Cash forgone on loss of control of subsidiary		(81,174)	-	-	-
Net cash (used in) investing activities		(930,169)	(405,038)	(972,078)	(335,021)
Cash flows from financing activities					
Proceeds from issue of shares		2,201,626	-	2,201,626	-
Small Shareholding Buyback Facility		-	(39,295)	-	(39,295)
Repayment of borrowings		-	-	-	(306,552)
Payment of share issue costs		(163,074)	-	(163,074)	-
Net cash (used in) financing activities		2,038,552	(39,295)	2,038,552	(345,847)
Net increase/(decrease) in cash held		210,859	(1,715,910)	287,094	(1,802,885)
Add cash at the beginning of the financial year		697,068	2,433,847	618,484	2,421,369
Effect of exchange rates on cash holdings in foreign currencies		(2,248)	(20,869)	(52)	-
Cash at the end of the financial year	9	905,679	697,068	905,526	618,484

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 30 JUNE 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Gaming and Entertainment Group Limited and controlled entities, and Gaming and Entertainment Group Limited as an individual parent entity. Gaming and Entertainment Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Principles of Consolidation

A controlled entity is any entity controlled by Gaming and Entertainment Group Limited. Control exists where Gaming and Entertainment Group Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Gaming and Entertainment Group Limited to achieve the objectives of Gaming and Entertainment Group Limited. A list of controlled entities is contained in Note 13.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealized profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

b) Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

c) Income Tax

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

FOR THE YEAR ENDED 30 JUNE 2004

d) Investments

Shares in listed & unlisted companies held for trading are carried at the lower of cost and net market value at each balance date. The gains or losses, whether realised or unrealised are included in profit from ordinary activities before income tax.

e) Foreign Currencies

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of the overseas controlled entities, which are self sustaining, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

f) Cash Assets

For the purpose of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash, net of outstanding bank overdrafts.

g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

FOR THE YEAR ENDED 30 JUNE 2004

h) Plant and Equipment

Items of plant and equipment are recorded at cost, less where applicable, any accumulated depreciation.

Depreciation is provided on a straight line basis over the useful life on all plant and equipment. The depreciation rates used are:

	2004	2003
Plant and equipment	20% - 50%	20%

i) Non-current assets

Where the carrying values of non-current assets valued at cost exceed their recoverable amount, those assets are written down. The Directors review the carrying amount of all non-current assets at least annually. In determining recoverable amount, the expected net cash flows have not been discounted.

j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield of the financial assets.

k) Employees Benefits

The Company does not have any employees and does not therefore recognise any employee benefits. The Company utilises contract staff as applicable.

l) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

m) Payables

Trade payables and other accounts payable are recognized when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

Payables to related parties are carried at the principle amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

n) Contributed equity

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognized directly in equity as a reduction of the share proceeds received.

FOR THE YEAR ENDED 30 JUNE 2004

o) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The parent entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep shareholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of the IFRS are:

Impairment of Assets
The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Share based Payments
Current Company policy is to expense any share-based payments made in connection for services received. The introduction of the new standard AASB 2: Share-based Payments, will require the Company to also expense any options granted to employees.

Income Tax
Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than effects of the timing and permanent differences between taxable income and accounting profit.

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
2. REVENUE FROM ORDINARY ACTIVITIES				
From operating activities				
Interest - other parties	29,976	68,334	29,976	68,334
Proceeds from sale of listed shares	519,536	-	519,536	-
Sales	41,986	-	-	-
From outside operating activities				
Gross proceeds on disposal of non-current assets	-	1,750	-	1,750
Other	58,483	52,948	36,734	14,757
Total Revenues	649,981	123,032	586,246	84,841
3. (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
a) expenses				
Depreciation of plant and equipment	77,265	76,434	1,012	836
Rental expense on operating leases	36,909	-	36,909	-
Write-down of goodwill on acquisition	-	330,000	-	330,000
Write-down of non-current assets	211,260	6,103	3,994	6,103
Diminution in value of listed investments	317,445	21,943	314,602	21,943
Write-down in carrying value of investment in subsidiary	-	-	1,125,000	-
Loss on write-off of expired options	114,033	-	114,033	-
Loss on sale of subsidiary	75,485	-	75,485	-
	718,223	358,046	1,633,114	358,046
b) Net Losses/(Gains)				
Net loss/(gain) on disposal of shares	(49,290)	-	(42,290)	-

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
4. AUDITORS' REMUNERATION				
Audit services:				
Previous auditors				
- Grant Thornton	4,000	27,000	4,000	27,000
Current auditors				
- Bentleys MRI/DFK Audit	12,000	-	12,000	-
Other services	-	-	-	-
	16,000	27,000	16,000	27,000

5. DIRECTORS' REMUNERATION

(a) Names and positions held by parent entity directors in office at any time during the financial year are:

Bryan Frost	Executive Chairman	Appointed 21 July 2000
Richard Revelins	Executive Director	Appointed 21 July 2000
Jeremy Cooper	Non-Executive Director	Appointed 4 September 2003
Tibor Vertes	Chief Executive Officer	Resigned 4 September 2003
Gregory Hrncir	Non-Executive Director	Resigned 4 September 2003
Steven Fornasaro	Non-Executive Director	Resigned 4 September 2003

(b) Parent Entity Directors' Remuneration

2004	Base Fee	Termination	Options	Total
Bryan Frost	109,500	-	-	109,500
Richard Revelins	70,000	-	-	70,000
Jeremy Cooper	41,670	-	21,000	62,670
Tibor Vertes	30,000	100,000	-	130,000
Gregory Hrncir	-	-	-	-
Steven Fornasaro	2,750	-	-	2,750
	253,920	100,000	21,000	374,920
2003				
Bryan Frost	86,850	-	6,864	93,714
Richard Revelins	60,000	-	4,576	64,576
Tibor Vertes	120,000	-	11,440	131,440
Gregory Hrncir	-	-	2,860	2,860
Steven Fornasaro	-	-	-	-
Ashesh Shah	-	-	-	-
	266,850	-	25,740	292,590

FOR THE YEAR ENDED 30 JUNE 2004

(c) Remuneration Options

Options Granted as Remuneration	Vested No.	Granted No.	Grant Date	Value per option at Grant Date (cents)	Exercise Price (cents)	First Exercise Date	Last Exercise Date
Jeremy Cooper	-	300,000	10 November 2003	7.0	15	10 November 2003	1 July 2006
	-	300,000					

(d) Shares issued on Exercise of Remuneration Options

No options received as remuneration have been exercised during this year or the previous year.

(e) Options and Rights Holdings

Number of Options held by Directors

	Balance 1.7.03	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable 30.6.04	Total Unexercisable 30.6.04
Bryan Frost	1,403,160	-	-	5,602,190	7,005,350	-	7,005,350	-
Richard Revelins	898,940	-	-	4,532,730	5,431,670	-	5,431,670	-
Jeremy Cooper	-	300,000	-	290,350	590,350	-	590,350	-
Tibor Vertes*	2,600,660	-	-	(2,600,660)	-	-	-	-
Gregory Hrncir*	500,000	-	-	-	500,000	-	500,000	-
Steven Fornasaro*	50,000	-	-	(50,000)	-	-	-	-

The net change other refers to all other movement in options other than those granted or exercised as part of remuneration. i.e. Market transactions.

Above numbers include direct & indirect holdings and holdings in common.

* Balance of securities when director terminated on 4 September 2003.

FOR THE YEAR ENDED 30 JUNE 2004

(f) Shareholdings
Number of Shares held
by Directors

	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.04
Bryan Frost	-	-	-	3,650,282	3,650,282
Richard Revelins	-	-	-	3,250,282	3,250,282
Jeremy Cooper	-	-	-	125,000	125,000
Tibor Vertes*	3,125,000	-	-	(3,125,000)	-
Gregory Hrncir*	-	-	-	-	-
Steven Fornasaro*	-	-	-	-	-

The net change other refers to all other movement in shares other than those granted as part of remuneration. i.e. Market transactions.

Director's holdings also include indirect holdings and holdings in common.

* Balance of securities when director terminated on 4 September 2003.

(g) Remuneration Practices

Refer to the Corporate Governance Statement.

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$

6. EXECUTIVES' REMUNERATION
(a) Names and positions held by
specified executives in office at any
time during the financial year are:

Phillip Hains – Company Secretary & Chief Financial Officer
Daniel Vertes – Financial Controller

(b) Specified Executive's
Remuneration

	Base Fee	Other	Options	Total
2004				
Phillip Hains*	11,667	90,000	-	101,667
Daniel Vertes#	12,504	50,000	-	62,504
	24,171	140,000	-	164,171
2003				
Daniel Vertes	50,000	-	1,080	51,080
	50,000	-	1,080	51,080

* The above fees were paid to The CFO Solution, a Chartered Accounting firm specialising in the provision of outsourced Accounting, Company Secretarial and Administrative services to listed companies, of which Mr. Hains is Principal. Through the fees paid to the CFO Solution, Mr Hains was remunerated for his services as CFO.
# Mr Vertes resigned on 4 September 2003.

FOR THE YEAR ENDED 30 JUNE 2004

(c) Specified Executive's Remuneration Options

No options were received as remuneration during the current financial year.

(d) Specified Executive's Shares issued on Exercise of Remuneration Options

	No. of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
		$	$
Daniel Vertes	60,000	0.15	-
	60,000		

(e) Options and Rights Holdings
Number of Options held by Specified Executives

	Balance 1.7.03	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable 30.6.04	Total Unexercisable 30.6.04
Phillip Hains	-	-	-	-	-	-	-	-
Daniel Vertes*	300,000	-	(60,000)	-	240,000	-	240,000	-

The net change other refers to all other movement in options other than those granted or exercised as part of remuneration. i.e. Market transactions.

* Balance of securities when executive terminated on 4 September 2003.

(f) Shareholdings
Number of Shares held by Specified Executives

	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.04
Phillip Hains	-	-	-	-	-
Daniel Vertes*	-	-	60,000	-	60,000

The net change other refers to all other movement in shares other than those granted as part of remuneration. i.e. Market transactions.

* Balance of securities when executive terminated on 4 September 2003.

(g) Remuneration Practices

Refer to the Corporate Governance Statement.

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
7. INCOME TAX				
Prima facie income tax expense (credit) calculated at 30% on the loss from ordinary activities	(483,926)	(493,863)	(704,123)	(408,664)
Tax effect of permanent differences:				
Provision against carrying value of assets	214,269	99,000	488,736	99,000
Disallowed travel & entertaining	4,285	33,360	4,285	33,360
Legal Fees	4,742	-	4,742	-
Provision for bad debts	8,565	-	-	-
Future income tax benefit attributable to income tax losses not brought to account	252,065	361,503	206,360	276,304
Income tax expense attributable to operating (loss)	-	-	-	-

Since incorporation, the consolidated entity has accumulated losses and exploration expenditure that would be deductible for Australian income tax purposes. A potential benefit of $5,039,760 (2003:$4,787,695) has not been carried forward as an asset in these financial statements as the amount of the loss cannot be determined with certainty and the realisation of the benefit cannot be regarded as being virtually certain. A future benefit will only be obtained if:

i) the consolidated entity continues to comply with the provisions of the income tax legislation relating to the deduction of losses of prior years;

ii) it earns sufficient assessable income to enable the benefit of the deductions to be realised; and

iii) there are no changes in tax legislation adversely affecting the consolidated entity in realising the benefit from the deductions for the losses.

As at 30 June 2004, the balance of dividend franking account was $nil (2003 $nil).

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity	
	2004	2003
	Cents	Cents
8. EARNINGS PER SHARE		
Basic earnings/(loss) per share	(7.4)	(11.2)
Diluted earnings/(loss) per share	(7.4)	(11.2)
Diluted earnings is equal to basic earnings		
Earnings reconciliation	$	$
Net (loss) and earnings used in the calculation of basic EPS	(1,613,088)	(1,646,210)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	21,786,369	14,748,833

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
9. CASH ASSETS				
Cash held at the end of the year as disclosed in the statement of cash flows, is comprised as follows				
Cash	**905,679**	156,540	**905,526**	77,956
Bank short term deposits	**-**	540,528	**-**	540,528
	905,679	697,068	**905,526**	618,484
10. RECEIVABLES (CURRENT)				
Other debtors	39,893	46,730	39,893	21,174
Amounts due from wholly owned entities	-	-	41,808	34,194
	39,893	46,730	81,701	55,368

FOR THE YEAR ENDED 30 JUNE 2004

		Economic Entity		Parent Entity	
		2004	2003	**2004**	2003
		$	$	**$**	$
11. OTHER FINANCIAL ASSETS (CURRENT)					
Listed shares at cost - unrelated		3,803,999	8,000	3,803,999	8,000
Provision for write down to recoverable amount		(2,236,388)		(2,236,388)	
Provision for diminution		(265,084)	-	(265,084)	-
	(i)	1,302,527	8,000	1,302,527	8,000
Listed shares at cost – director related		472,642	-	472,642	-
Provision for diminution		(71,462)	-	(71,462)	-
	(i),(ii)	401,180	-	401,180	-
Unlisted shares at cost - unrelated		150,000	-	150,000	-
Provision for diminution		-	-	-	-
		150,000	-	150,000	-
Written down value of shares at balance date		1,853,707	8,000	1,853,707	8,000
(i) Quoted market value at balance date of shares listed on a prescribed stock exchange		1,744,639	-	1,744,639	-
Shares & options in other related companies					
Listed					
Prima Biomed Limited Principle Activity: Research and commercialisation of the medical biotechnology industry. The Company has a 0.34% interest	(ii)	43,347	-	43,347	-
Premier Bionics Limited Principle Activity: Research and commercialisation of the medical biotechnology industry. The Company has a 2.70% interest	(ii)	306,833	-	306,833	-
Select Vaccines Limited Principle Activity: Research and commercialisation of the medical biotechnology industry. The Company has a 0.64% interest	(ii)	51,000	-	51,000	-

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
12. OTHER CURRENT ASSETS				
Prepayments	12,110	-	12,110	-
Deposits and Licenses	80,000	88,347	80,000	82,500
	92,110	88,347	92,110	82,500
13. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Investment in Gaming & Entertainment Group Inc. at cost	-	3,636,388	-	3,636,388
Less: Provision for write-down to recoverable amount	-	(2,236,388)	-	(2,236,388)
	-	1,400,000	-	1,400,000
Investment in subsidiaries:				
Online Gaming Services Limited at cost	-	-	-	2,333
Vanuatu Internet Data Centre Limited at cost	-	-	1,455,000	1,455,000
Less: Provision for write-down to recoverable amount	-	-	(1,455,000)	(330,000)
	-	-	-	1,127,333
	-	1,400,000	-	2,527,333

The investment in Gaming and Entertainment Group Inc, has been reclassified as a current investment during this financial year as it became a listed USA entity in January 2004. The Company now consider it trading stock.

Vanuatu Internet Data Centre Limited (incorporated in Vanuatu) is 100 per cent owned by the parent entity (2003:100%).
Online Gaming Services Limited (Malta) (incorporated in Malta) was 100 per cent owned by the parent entity until it was disposed of in September 2003 (2003:100%).

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
14. PLANT AND EQUIPMENT				
Plant and equipment - at cost	410,207	385,702	28,943	4,438
Less: Accumulated depreciation	(175,011)	(98,190)	(1,012)	(444)
Less: Provision for write-down	(207,265)	-	-	-
	27,931	287,512	27,931	3,994
Reconciliation of plant and equipment				
Carrying amount at beginning of year	287,512	295,571	3,994	6,472
Additions	28,943	74,455	28,943	4,438
Other disposals	(3,994)	(6,080)	(3,994)	(6,080)
Depreciation	(77,265)	(76,434)	(1,012)	(836)
Write-down of assets	(207,265)	-	-	-
Carrying amount at end of year	27,931	287,512	27,931	3,994
15. PAYABLES				
Trade creditors	55,504	86,431	55,504	39,369
Amounts due to wholly owned entities	-	-	-	42,315
	55,504	86,431	55,504	81,684

16. CONTRIBUTED EQUITY

	2004	2003	**2004**	2003
	No.	No.	**$**	$
(a) Issued and paid up capital				
Ordinary fully paid shares	26,189,235	14,748,833	14,962,919	13,051,183
Options	25,491,181	7,447,500	126,816	-
			15,089,735	13,051,183

(b) Movement in shares on issue

	Notes	**2004**	2003	**2004**	2003
		No.	No.	**$**	$
Beginning of the financial year		14,748,833	15,141,788	13,051,183	13,090,478
- Issued during the year	(ii)	11,375,000	-	2,065,000	-
- Raising costs		-	-	(163,074)	-
- Exercise of options		65,402	-	9,810	-
- Small share holding facility	(i)	-	(392,955)	-	(39,295)
End of the financial year		26,189,235	14,748,833	14,962,919	13,051,183

Ordinary Shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

FOR THE YEAR ENDED 30 JUNE 2004

Date	Details	Notes	Number of shares	Issue price $	$
1 May 2003	Company bought back shares from shareholders who held less than a marketable parcel $150.	(i)	(392,955)	0.10	(39,295)
17 September 2003	Raising of working capital through private placement	(ii)	2,100,000	0.10	210,000
3 December 2003	Raising of working capital through private placement	(ii)	9,275,000	0.20	1,855,000

c) Movements in Options

	Notes	**2004 No.**	2003 No.	**2004 $**	2003 $
Beginning of the financial year		7,447,500	4,147,500	-	-
- Issued during the year	(i)	22,256,583	5,300,000	126,816	-
- Exercise of options	(iii)	(65,402)		-	-
- Options cancelled	(ii)	(2,000,000)	(2,000,000)	-	-
- Options expired	(iv)	(2,147,500)		-	-
End of the financial year		25,491,181	7,447,500	126,816	-

Date	Details	Notes	Number of options	Issue price	$
14 April 2003	Issue of options to directors & associates, exercisable @ $0.15 on or before 1 July 2006	(i)	4,800,000	Nil	-
15 April 2003	Issue of options to an employee, exercisable @ $0.15 on or before 1 July 2006	(i)	500,000	Nil	-
31 October 2003	Issue of options for working capital, exercisable @ $0.15 on or before 1 July 2006	(i)	12,681,583	$0.01	126,816
10 November 2003	Issue of options to a director, exercisable @ $0.15, on or before 1 July 2006	(i)	300,000	Nil	-
3 December 2003	Issue of free attaching options under December raising, exercisable @ $0.15 on or before 1 July 2006	(i)	9,275,000	Nil	-
1 May 2003	Cancellation of options previously issued to Peregrine Corporate Ltd, exercisable @ $2.00 on or before 30 June 2005	(ii)	(2,000,000)	Nil	-
2 September 2003	Cancellation of options previously issued to Tibor Vertes, exercisable @ $0.15 on or before 1 July 2006	(ii)	(2,000,000)	Nil	-
12 September 2003	Exercise of options @ $0.15	(iii)	(60,000)	N/A	-
3 December 2003	Exercise of options @ $0.15	(iii)	(21)	N/A	-
16 February 2004	Exercise of options @ $0.15	(iii)	(5,381)	N/A	-
4 July 2003	Expiry of options, exercisable @ $2.00 on or before 4 July 2003	(iv)	(2,147,500)	Nil	-

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
17. RESERVES				
Foreign Currency Translation Reserve	(23,743)	(20,869)	-	-
Movements during the year				
(a) Foreign Currency Translation Reserve				
Balance at beginning of year	(20,869)	-	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements	(2,874)	(20,869)	-	-
Balance at end of year	(23,743)	(20,869)	-	-

(b) Nature and Purpose of Reserves

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
18. ACCUMULATED LOSSES				
Accumulated losses at beginning of year	(10,589,088)	(8,942,878)	(9,837,188)	(8,474,974)
Net profit/(loss) for the year attributable to members of the parent entity	(1,613,088)	(1,646,210)	(2,347,076)	(1,362,214)
Accumulated losses at end of year	(12,202,176)	(10,589,088)	(12,184,264)	(9,837,188)
19. EXPENDITURE COMMITMENTS				
a) Non-cancelable operating leases contracted for but not capitalised in the financial statements				
Payable:				
- not later than 1 year	-	118,667	-	118,667
- later than 1 year but not later than 5 years	-	1,048,159	-	1,048,159
- later than 5 years	-	1,564,003	-	1,564,003
	-	2,730,829	-	2,730,829

The property lease for the Company's previous Sydney premises was assigned to another company during the year. As such the Company no longer has a leasing commitment, but a contingent liability. Refer to Note 26 Contingent Liabilities.

FOR THE YEAR ENDED 30 JUNE 2004

c) Other

The CFO Solution provides Accounting, Company Secretarial and Administrative services at a rate of $10,000 per month plus GST. This commitment may be terminated with 3 months' notice from either party.

	2004 $	2003 $
20. DISCONTINUING OPERATIONS		
On 30 September 2003, the Company sold its Malta based subsidiary Online Gaming Services Limited. The sale has been incorporated into the current year result, with cash proceeds being received on 19 December 2003.		
Financial information relating to the entity for the period to the date of disposal is set out below and in Segment Reporting Note 21.		
The financial performance of the discontinuing entity to the date of sale which has been incorporated into the statement of financial performance is as follows:		
Revenue from ordinary activities	22,754	-
Expenses from ordinary activities	(23,264)	(7,522)
Profit from ordinary activities before income tax	(510)	(7,522)
Income tax expense	-	-
Net profit attributable to members of the parent entity	(510)	(7,522)
The carrying amounts of assets and liabilities of the discontinuing entity at the date of sale were:		
Total Assets	81,174	73,235
Total Liabilities	17,024	77,849
Net Assets	64,150	(4,614)
The net cash flows of the discontinuing entity which have been incorporated into the statement of cash flows are as follows:		
Net cash inflow (outflow) from ordinary activities	(30,548)	(7,522)
Net cash inflow (outflow) from investing activities	-	-
Net cash inflow (outflow) from financing activities	-	-
Net increase in cash generated by the discontinuing entity	(30,548)	(7,522)

FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
	$	$
Details of the sale of the entity which has been incorporated into the current year's result are as follows:		
Net sale price	5,000	
Carrying amount of net assets sold	(64,150)	
Loss on sale before income tax	(59,150)	
Income tax expense	-	
Loss on sale after income tax	(59,150)	

21. SEGMENT REPORTING

The Directors have identified Online Gaming Data Centre and Investment as the two primary segments for reporting purposes in 2004. The Company's secondary segments are based on geography, being Australia, Vanuatu and Malta. These geographic segments correspond to the primary segments as shown below.

	Total Revenue		Operating Profit/(Loss) after tax		Total Assets	
	2004	2003	**2004**	2003	**2004**	2003
	$	$	**$**	$	**$**	$
a) Business Segments						
Online Gaming Data Centre	55,703	38,190	(397,759)	(283,996)	11,986	426,045
Investments	549,512	84,842	(399,369)	(1,362,214)	1,852,422	3,295,679
Unallocated	44,766	-	(815,960)	-	1,054,912	(1,194,067)
Total	649,981	123,032	(1,613,088)	(1,646,210)	2,919,320	2,527,657
b) Geographical Segments						
Malta	22,754	-	(510)	(7,522)	-	73,235
Vanuatu	32,949	38,190	(397,249)	(276,474)	-	352,810
Australia	594,278	84,842	(1,215,329)	(1,362,214)	2,919,320	2,101,612
Unallocated	-	-	-	-	-	-
Total	649,981	123,032	(1,613,088)	(1,646,210)	2,919,320	2,527,657

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
22. RELATED PARTY INFORMATION				
a) The following persons held the office of Director during the year: Bryan John Frost Richard Revelins Jeremy Cooper (appointed 4 September 2003) Tibor Vertes (resigned 4 September 2003) Gregory Hrncir (resigned 4 September 2003) Steven Fornasaro (resigned 4 September 2003)				
b) The following related party transactions occurred during the financial period:				
Wholly owned group transactions Loans made by Gaming & Entertainment Limited to wholly owned subsidiaries	-	-	41,809	-
Other related party transactions Other transactions On 2 May 2003, the Company entered into a commercial office lease agreement for a term of ten years at Level 8, 77 Pacific Highway, North Sydney 2060. Eighty percent (80%) of the leased area was subleased to Gaming and Entertainment Technology Pty Limited and Capital First Financial Services Pty Limited. Both companies are controlled by Tibor Vertes, a Director of the Company until 4 September 2003. This lease has subsequently been re-assigned to Capital First Financial Services Pty Limited upon the Company vacating the premises and moving its registered address to Melbourne.				

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
Accounting services were provide by William Buck (NSW) Pty Ltd of which Steven Fornasaro is a partner. Mr Fornasaro was a Director of the Company until 4 September 2003.	-	4,500	-	4,500
Promotion & Investor relation fees were paid to Douglas Marine Services Pty Ltd, an associate to director Mr Bryan Frost	13,200	-	13,200	-
Underwriting fees & commission were paid to Peregrine Corporate Limited, a Director related entity to Mr Richard Revelins & Mr Bryan Frost.	100,550	-	100,550	-

c) Directors' Shareholdings

Refer to Directors Remuneration Note 15 for further information.

23. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	**2004**	2003
	$	$	**$**	$
24. NOTES TO THE STATEMENTS OF CASH FLOWS				
a) Reconciliation of Operating (Loss) After Income Tax to Net Cash Used in Operating Activities:				
Operating profit/(loss) after income tax-	(1,613,088)	(1,646,210)	(2,347,076)	(1,362,214)
Depreciation	77,265	76,434	1,012	836
Write-down of listed investment value	-	21,943	-	21,943
Loss on expired options	114,033	-	114,033	-
Diminution of equity investments	336,545	-	336,545	-
Profit on sale of equity investments	(49,239)	-	(49,239)	-
Loss on sale of subsidiary	75,485	-	75,485	-
Deconsolidation of subsidiary	(13,032)	-	(5,000)	-
Provision for doubtful debts	28,560	-	-	-
Write-down of assets	192,160	334,353	1,107,051	334,353
Changes in assets and liabilities				
(Increase)/decrease in receivables	(50,238)	(109,564)	(16,218)	(120,535)
(Increase)/decrease in current assets	(12,112)	10,805	(12,110)	10,000
Increase/(decrease) in payables	16,137	40,662	16,137	(6,400)
Net cash used in operating activities	(897,524)	(1,271,577)	(779,380)	(1,122,017)
b) Reconciliation of cash Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Statement of Financial Position as follows:				
Cash	905,679	697,068	905,526	618,485

c) Non-cash Financing & Investing activities

There has been no event not already disclosed elsewhere in the Annual Report.

FOR THE YEAR ENDED 30 JUNE 2004

25. FINANCIAL INSTRUMENTS

a) Interest rate risk

The Economic Entity's exposure to interest rates and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	Floating Interest Rate	Non-Interest Bearing	Total	Average Interest Rate
	$	$	$	%
2004				
Financial Assets				
Cash	905,679	-	905,679	4.50
Receivables	-	39,893	39,893	-
Other Financial Assets – current	-	1,853,707	1,853,707	-
	905,679	1,893,600	2,799,279	-
Financial Liabilities				
Payables	-	55,504	55,504	-
	-	55,504	55,504	-

	Floating Interest Rate	Non-Interest Bearing	Total	Average Interest Rate
	$	$	$	%
2003				
Financial Assets				
Cash	697,068	-	697,068	4.53
Receivables	-	46,730	46,730	-
Other Financial Assets – current	-	8,000	8,000	-
Other Financial Assets – non-current	-	1,400,000	1,400,000	-
	697,068	1,454,730	2,151,798	-
Financial Liabilities				
Payables	-	86,431	86,431	-
	-	86,431	86,431	-

FOR THE YEAR ENDED 30 JUNE 2004

b) Credit Risk
Financial assets, which potentially expose the economic entity to concentrations of credit risk, consist primarily of cash and receivables. The economic entity's cash and cash equivalents are placed with high credit quality financial institutions and receivables are net of any allowances for estimated doubtful receivables. Accordingly, the Directors believe the economic entity has no significant concentration of credit risk.

c) Net Fair Values of Financial Asses and Liabilities
Cash & short –term investments:
The carrying amount approximates fair value because of their short term to maturity.

Receivables & payables:
The carrying amount approximates fair value.

Current listed investments:
Net fair values have been valued at the lower of cost or quoted market bid price at balance date. Market values of all listed investments are disclosed in notes 11 & 13.

Unlisted investments:
Where there is no organised financial market, the recoverable amount is assessed from the underlying net assets of the investment.

Non-current investments/securities:
The carrying amount approximates fair value.

26. CONTINGENT LIABILITIES

In May 2003, the Company entered into a commercial office lease agreement for a term of 10 years at Level 8, 77 Pacific Highway, North Sydney 2060. Eighty percent (80%) of the leased area was subleased to Gaming & Entertainment Technology Pty Limited ("GET") and Capital First Financial Services Pty Limited ("CFFS"). Both companies were controlled by former director, Tibor Vertes.

In September 2003, the Company moved its registered office to Melbourne, and subsequently had the lease assigned to CFFS.

Under the terms of the assignment, the Company has not been released from any obligations or liabilities under the lease if CFFS defaults, but has been indemnified by CFFS for the liability. As such, the Company has a contingent liability for lease payments on the property.

At 30 June 2003, the Company did not have any contingent liabilities.

27. ADDITIONAL INFORMATION

The Company is domiciled in Australia and at the date of this report its registered office and principal place of business is Suite 2, 1233 High Street Armadale, Victoria, 3143.

The Directors of the Company declare that:

1) the financial statements and notes set out on pages 19 to 41 are in accordance with the Corporations Act 2001, including:

   a) complying with Accounting Standards and the Corporations Regulations 2001; and

   b) giving a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company and economic entity; and

2) In the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Bryan Frost
Chairman

Signed at Melbourne, Victoria this 23rd day of September 2004.

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Audit & Assurance Services Division

Chartered Accountants
Business Advisors

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

GAMING AND ENTERTAINMENT GROUP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Gaming and Entertainment Group Limited (the company) and Gaming and Entertainment Group Limited (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

ABN 62 667 316 249

Level 7, 114 William Street
Melbourne Vic. Australia
GPO Box 2265
Melbourne Vic 3001
Telephone 61 3 9274 0600
Facsimile 61 3 9274 0736
E-mail audit@melb.bentleys.com.au

Partners
Theo J Eversteyn FCA
Adrian J Beckwith FCA
Greg R Lay FCA
Stirling L Horne CA
Martin A Phelan CA
Bruno A Secatore CA
Scott W Phillips CA
Peter R Vince FCA
Jeffrey O Luckins Affiliate ICAA

Consultants
John J Templeton FCA
Tom Linardos FCA

Bentleys mri

Audit & Assurance Services Division

Chartered Accountants
Business Advisors

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Gaming and Entertainment Group Limited is in accordance with:

a. the Corporations Act 2001, including:
   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

Bentleys MRI

BENTLEYS MRI
CHARTERED ACCOUNTANTS

JEFFREY LUCKINS
PARTNER

Dated in Melbourne on this 23rd day of September 2004

ABN 62 667 316 249

Level 7, 114 William Street
Melbourne Vic. Australia

GPO Box 2288
Melbourne Vic 3001

Telephone 61 3 9274 0600
Facsimile 61 3 9274 0736
E-mail audit@mail.bentleys.com.au

Partners
Theo J Eversteyn FCA
Adrian J Beckwith FCA
Greg R Lay FCA
Stirling L Horne CA
Martin A Phelan CA
Bruno A Secatore CA
Scott W Philips CA
Peter R Vines FCA
Jeffrey C Luckins Affiliate ICAA

Consultants
John J Templeton FCA
Tom Linardos FCA

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The firms practising as Bentleys MRI and Moores Rowland are independent. They are affiliated only and not in partnership

Quality Endorsed Company

15 September 2004
NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Shares

- 26,189,235 ordinary fully paid shares were held by 1490 individual shareholders
- 1,037 shareholders hold less than a marketable parcel.
- All ordinary shares carry one vote per share.

Options

- 25,491,181 options exercisable at $0.15 on or before 31 July 2006 are held by xx individual shareholders.
- Options do not carry a right to vote. Voting rights will be attached to the unissued shares when the options have been exercised.

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES

Ordinary Shares			**Number of Shareholders**
1	to	1,000	456
1,001	to	5,000	738
5,001	to	10,000	118
10,000	to	100,000	140
100,001		and over	38
Total			1,490

Options			**Number of Shareholders**
1	to	1,000	93
1,001	to	5,000	112
5,001	to	10,000	26
10,000	to	100,000	65
100,001		and over	38
Total			334

20 LARGEST HOLDERS OF QUOTED SECURITIES

	Shareholder	Number of fully paid ordinary shares	%
1.	ANZ Nominees Pty Ltd	2,896,302	11.06
2.	Farcam Pty Ltd	2,236,300	8.54
3.	Tara Pines Pty Ltd	2,000,000	7.64
4.	David Hannon Investments	1,165,000	4.44
5.	Bluffpoint Corporation Pty Ltd	1,128,110	4.31
6.	Ronay Investments Pty Ltd	1,055,994	4.03
7.	Obsborne Investments Pty Ltd	700,000	2.67
8.	Pillage Investments Pty Ltd	693,165	2.65
9.	Merril Lynch (|Australia)	565,149	2.16
10.	All States Finance Pty Ltd	500,000	1.91
11.	Garzon Holdings Pty Ltd	500,000	1.91
12.	Churn & Burn Pty Ltd	500,000	1.91
13.	Ocean View WA Pty Ltd	425,000	1.62
14.	Hazeltine Pty Ltd	421,500	1.61
15.	Tao Yuan Limited	405,000	1.54
16.	Bryan Frost	350,000	1.34
17.	Dodd Financial Services Pty Ltd	250,000	0.95
18.	H&H Mining (Investments)	250,000	0.95
19.	Ellar Investments Pty Ltd	200,000	0.76
20.	Cross Markets Funds Management	200,000	0.76
		16,441,520	62.76

Option holder	Number of options exercisable	%
Farcam Pty Ltd	2,677,225	10.50
Tara Pines Pty Ltd	2,000,000	7.85
David Hannon Investments	1,850,000	7.26
Bryan Frost	1,700,000	6.67
Actionette Pty Ltd	1,428,125	5.60
ANZ Nominees Pty Ltd	1,397,114	5.48
Hazeltine Pty Ltd	1,349,120	5.29
Peregrine Corporate Limited	1,150,000	4.51
Mobile Connect Pty Ltd	1,000,000	3.92
Churn & Burn Pty Ltd	1,000,000	3.92
Richard Revelins	800,000	3.14
Ronay Investments Pty Ltd	621,685	2.44
Garzon Holdings Pty Ltd	500,000	1.96
Noble Eagle Holdings Pty Ltd	500,000	1.96
The Old Brewery Company	495,000	1.94
All States Finance Pty Ltd	450,000	1.77
Dodd Financial Services Pty Ltd	300,000	1.18
Jeremy Cooper	300,000	1.18
Lampam Pty Ltd	290,350	1.14
Queensland Marketing Management	250,000	0.98
	20,058,619	69.69