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eBet Limited

ABN : 59 056 210 774

APPENDIX 4E
Consolidated Preliminary Financial Statements
for the year ended 30 June 2010

eBet Limited

ABN : 59 056 210 774

Appendix 4E - Preliminary Financial Report

Reporting period	**Year ended 30 June 2010**
Previous reporting period	Year ended 30 June 2009

Results for Announcement to the Market

	2010 000's	2009 000's	$ Change 000's		% Change	
Revenue	28,100	25,270	2,830	up	11.2%	up
Net profit before related income tax attributable to members of the parent entity	2,028	1,588	440	up	27.7%	up
Net profit after related income tax attributable to members of the parent entity	1,773	1,526	247	up	16.2%	up

Dividends

No dividends were paid or made payable during the year ended or since 30 June 2010

Brief explanation of any of any of the above necessary to enable the figures to be understood

Refer to Managing Director / CEO's report.

Net Tangible Asset Backing

	2010	2009
Net tangible asset / (liability) backing per ordinary security	($0.00)	($0.01)

Other Information

Control gained over entities having a material effect

Not applicable

Loss of control over entities having a material effect

Not applicable

Dividend or distribution reinvestment plans

Not applicable

Details of associates & joint venture entities	**2010**	2009
Name of group of entities:		
Gaming Solutions Pty Limited (ACN 125 503 853)		
Percentage held:	**50%**	50%
Share of profit ($'000):	**-**	-
eBet Online Inc (incorporated in Canada 002164016)		
Percentage held:	**50%**	50%
Share of profit ($'000):	**-**	-
eBet Technologies Inc (incorporated in the USA E0418412008-5)		
Percentage held:	**50%**	50%
Share of profit ($'000):	**-**	-

Audit status

This report is based on accounts which are in the process of being audited

Attachments

Any additional appendix 4E disclosure requirements can be found in the notes to the attached Consolidated Preliminary Financial Statements and the Managing Director / CEO's report.

Signed By

Tony Toohey - Managing Director / CEO **26 August 2010**

eBet Limited

Consolidated Income Statement for the year ended 30 June 2010

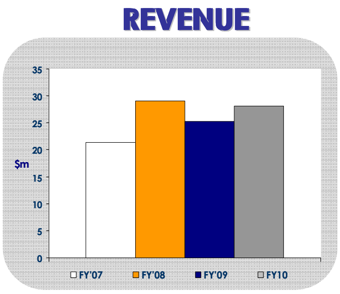
	Notes	Consolidated Entity 2010 $000	2009 $000
Revenue			
Sales - Gaming Machines & Systems		**16,646**	13,464
Service Revenue		**10,494**	10,601
Online & Professional Services		**593**	648
Other Revenue		**367**	557
Total revenue	2	**28,100**	25,270
Expenditure			
Cost of Sales	3	**(11,667)**	(9,430)
Employee Expenses		**(7,441)**	(6,741)
Borrowing Costs		**(584)**	(741)
Professional Fees		**(779)**	(409)
Telecommunications		**(156)**	(129)
Bad & Doubtful Debts		**(68)**	24
Travel & Entertainment Expenses		**(366)**	(427)
Motor Vehicle Expenses		**(160)**	(267)
Insurance Expenses		**(297)**	(278)
Occupancy & Equipment Rental Expenses		**(1,015)**	(919)
Directors' Fees & Related Expenses		**(240)**	(185)
Depreciation & Amortisation	3	**(2,796)**	(3,016)
Audit & Accounting Fees		**(329)**	(381)
Other Expenses		**(174)**	(783)
Total expenses		**(26,072)**	(23,682)
Profit before income tax		**2,028**	1,588
Income tax expense		**(255)**	(62)
Net profit after related income tax attributable to members of the parent entity		**1,773**	1,526
Profit for the year	4	**1,773**	1,526
Basic earnings per share (cents per share)	4	**0.81**	0.70
Diluted earnings per share (cents per share)	4	**0.81**	0.70

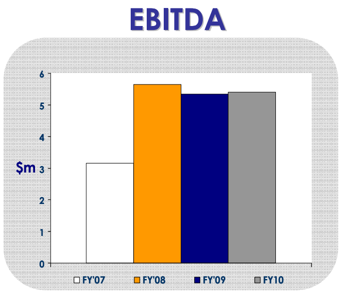
The above income statement should be read in conjunction with the accompanying notes

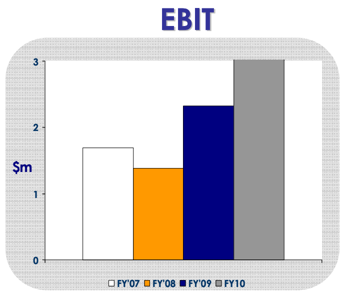
Managing Director's Commentary

eBet's Full Year result for the period ended 30 June 2010 was a $2.03M Net Profit Before Tax (pcp $1.59M) from revenues of $28.10M (pcp $25.27M).

Key points in comparison to the prior corresponding period include:







Revenue

Full year revenue increased 11% or $2.83M to $28.10M. The increase in revenue for the full year is directly attributable to the introduction of the WMS EGMs into eBet's primary NSW market as a result of gaining regulatory approvals in late January 2010, therefore providing 5 months revenue contribution of $6.40M in the initial ramp-up period. Gaming Systems revenue contributed $10.49M.

The softening in gaming systems revenue is reflective of the capital pressures experienced by many Clubs and Pubs in NSW, and increased competition in the gaming systems market.

Recurring revenues of $10.49M contributed 37% of eBet's total revenues. This result reflects the Company's continued focus on achieving a greater percentage of revenues from recurring sources through its licensed systems products.

Gaming Machines

Gaming machine sales commenced in February 2010 after regulatory approval was received for the Bluebird®2 machine, eBet's SAS2X interface and 3 initial games. Subsequently, we have received approval for an additional 5 game themes, for a total of 8 approved game themes at 30th June.

Key Statistics for FY2010 are as follows:

- 254 Units sold
- into 68 Venues – 64 Clubs, 3 Hotels & 1 Casino
- a 23% re-order rate
- $6.40M Sales Revenue

The WMS product continues to perform very strongly in venues across NSW.

Gaming Systems

Gaming Systems revenue was $10.49M in FY2010. This is a direct reflection on the capital restraints many venues experienced in FY2010. The Gaming Systems division continues to be the largest contributing division to eBet's revenues. The success of the proprietary EPS 2.0 & EPS 3.0 operating systems and IGMI interface boards was the key revenue driver. The modular design of eBet systems will facilitate future development of enhanced functionality and the integration of new packages such as the Engage™ LCD display, and will further support Gaming System sales in FY2011.

The Gaming Systems business will continue to concentrate on sales of the new EPS 3.0 operating system and IGMI interface.

International sales revenue was $1.13M (pcp $1.58M) a direct reflection of the global financial crisis which led to restrictions in capital expenditure.

As the Asian casino and club market continues to expand, the Company is well placed to increase revenue from this region in FY2011. The Company has recently opened a regional office in Kuala Lumpur – Malaysia to drive our Asian sales growth.

Online Wagering Division

The Online Wagering Division in the United States (through our JV company eBet Online) contributed revenue of $593k (pcp $648k), a modest decrease of 9% given the economic climate across the United States.

Whilst revenue decreased during the year, we expanded to a number of new racetracks and white label agreements, taking the eBet online wagering business from our long-term 3 customers to 14 customers in operation at year end, with a further 6 agreements executed and awaiting implementation. The expansion of the online business is a direct result of completion and launch of the new online wagering interface which provides a more functionally rich application and an increased business development focus. We see a positive outlook for our online wagering operations in FY2011.

Company Tax

For FY2010, the Company is in a tax payable position due to the recoupment of losses and the profitable status of its operations in the USA, and the positive tax and operating profit within the Australia operations after using our recoupment factor losses. The net result was a tax expense of $255k for FY2010.

Cash Flow

Cash flows from operations were $6.67M. This positive cash flow enabled the continued investment in future development and, most importantly, a continued focus on debt reduction, resulting in the repayment of $1.33M throughout the year. The FY2010 debt reduction means the company has repaid $11.1M over the past 3 years.

Significant Development

$3.2M Convertible Notes
The Company has $3.2M in convertible notes that are repayable on 30 September 2010 and has been notified on behalf of the notes holders that it is unlikely that these notes will be converted. This is the preferred position of the company to avoid shareholder dilution. Due to strong sales and careful cash flow management the Company believes it will be in a position to repay the convertible notes when due.

eBet Limited

Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	Consolidated Entity 2010 $000	2009 $000
Profit for the period		**1,773**	1,526
Other comprehensive income			
Exchange difference on translation of foreign operations		**(167)**	38
Other comprehensive income for the period, net of tax		**(167)**	38
Total comprehensive income for the period		**1,606**	1,564
Total comprehensive income attributable to:			
Equity holders of the parent		**1,606**	1,564

The above statement of comprehensive income should be read in conjunction with the accompanying notes

eBet Limited

Consolidated Statement of Financial Position as at 30 June 2010

	Notes	Consolidated Entity 2010 $000	Consolidated Entity 2009 $000
Current Assets			
Cash and cash equivalents		**2,592**	40
Trade and other receivables		**9,005**	5,743
Inventories		**6,675**	1,576
Derivative financial instruments		**98**	-
Current tax asset		**-**	15
Other current assets		**178**	213
Total Current Assets		**18,548**	7,587
Non-Current Assets			
Trade and other receivables		**773**	1,048
Property, plant & equipment		**1,074**	890
Deferred tax asset		**295**	255
Intangible assets		**20,862**	20,423
Total Non-Current Assets		**23,004**	22,616
Total Assets		**41,552**	30,203
Current Liabilities			
Trade and other payables		**12,340**	2,220
Borrowings	**5**	**3,519**	3,401
Provisions		**1,226**	1,135
Current tax liability		**276**	-
Other current liabilities		**1,453**	1,423
Total Current Liabilities		**18,814**	8,179
Non-Current Liabilities			
Borrowings	**5**	**1,891**	3,090
Provisions		**163**	183
Total Non-Current Liabilities		**2,054**	3,273
Total Liabilities		**20,868**	11,452
Net Assets		**20,684**	18,751
Equity			
Contributed equity		**50,280**	50,234
Reserves		**263**	184
Accumulated losses		**(29,859)**	(31,667)
Total Equity		**20,684**	18,751

The above balance sheet should be read in conjunction with the accompanying notes

eBet Limited

Consolidated Statement of Changes in Equity for the year ended 30 June 2010

		Consolidated Entity				
	Notes	Contributed Equity $000	Accumulated Losses $000	Options Reserve $000	Exchange Variation Reserve $000	Total $000
Balance at 1 July 2008		50,234	(33,215)	299	(131)	17,187
Transfer options expired		-	22	(22)	-	-
Exchange difference on translation of foreign operations		-	-	-	38	38
Profit for the financial year		-	1,526	-	-	1,526
Balance at 30 June 2009	**7**	**50,234**	**(31,667)**	**277**	**(93)**	**18,751**
Share Issue of 909,091 on 11 Dec 2009		**40**	**-**	**-**	**-**	**40**
Share Issue of 101,217 on 01 Feb 2010		**6**	**-**	**-**	**-**	**6**
Options issued		**-**	**-**	**281**	**-**	**281**
Transfer options expired		**-**	**35**	**(35)**	**-**	**-**
Exchange difference on translation of foreign operations		**-**	**-**	**-**	**(167)**	**(167)**
Profit for the financial year		**-**	**1,773**	**-**	**-**	**1,773**
Balance at 30 June 2010	**7**	**50,280**	**(29,859)**	**523**	**(260)**	**20,684**

The above statement of changes in equity should be read in conjunction with the accompanying notes

eBet Limited

Consolidated Cash Flow Statement for the year ended 30 June 2010

		Consolidated Entity	
		2010	**2009**
	Notes	$000	$000
Cash Flows from Operating Activities			
Receipts from customers		**26,779**	28,633
Payments to suppliers and employees		**(19,865)**	(21,223)
Interest received		**256**	288
Interest and other costs of finance paid		**(502)**	(719)
Income taxes paid		**-**	(40)
Net cash provided by operating activities		**6,668**	6,939
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment		**(271)**	(333)
Payments for software development and other intangibles		**(2,342)**	(5,193)
Net cash used in investing activities		**(2,613)**	(5,526)
Cash Flows from Financing Activities			
Repayments of principal - borrowings		**(1,334)**	(5,540)
Proceeds of secured loan provided to Octavian International Limited		**-**	3,965
Net cash used in financing activities		**(1,334)**	(1,575)
Net increase/(decrease) in cash held		**2,721**	(162)
Cash at beginning of the financial year		**(129)**	33
Cash at end of the financial year		**2,592**	(129)

The above cash flow statement should be read in conjunction with the accompanying notes

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2010

Note 1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the Consolidated Preliminary Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Comparative information is reclassified where appropriate to enhance comparability.

Basis of Preparation
The Consolidated Preliminary Financial Statements have been prepared in accordance with ASX listing rule 4.3A, the recognition and measurement requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* .

These Consolidated Preliminary Financial Statements do not include all the notes of the type normally included in the annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009, the half year report of the half year ended 31 December 2009 and any public announcements made by eBet Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* .

The Consolidated Preliminary Financial Statements have been prepared on an accruals basis and are based on historical costs as modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The accounting policies adopted are consistent with those of the previous financial year except as set out below:

Business combinations
AASB 3 (revised) applies to accounting periods beginning on or after 1 July 2009 and continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition. Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquire are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets. If the Group recognised acquired deferred tax assets after the initial acquisition accounting, there will no longer be any adjustment to goodwill.

Segment Reporting
The Group has applied *AASB 8 Operating Segments* from 1 July 2009. AASB 8 replaces *AASB 114 Segment Reporting* . AASB 8 requires the 'management approach' to the identification, measurement and disclosure of reporting segments. The 'management approach' requires that operating segments be identified and reported on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. The chief operating decision-maker has been identified as the Chief Executive Officer. The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments consistent with the prior year.

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2010

Note 2 Revenue

		Consolidated Entity 2010 $000	Consolidated Entity 2009 $000
Revenue			
	Systems, Equipment & Software Sales	**16,646**	13,464
	Service Revenue - Gaming Systems	**10,494**	10,601
	Online Systems & Services	**593**	648
		27,733	24,713
Other Revenue			
	Foreign Exchange Gain	**31**	8
	Interest Received	**256**	288
	Government Grants	**-**	58
	Other Revenue	**80**	203
		367	557
		28,100	25,270

Note 3 Items included in Profit

	2010 $000	2009 $000
Cost of sales	**11,667**	9,430
Borrowing costs - external:		
- Interest and finance charges paid / payable for financial liabilities	**502**	669
- Unwinding of discount	**82**	72
Depreciation and amortisation		
- Plant and equipment depreciation	**457**	1,005
- Intellectual property, software development & other intangible assets amortisation	**2,339**	2,011
	2,796	3,016
Foreign exchange		
- Foreign exchange loss	**15**	37
- Loss on foreign currency derivatives	**35**	-
Operating Leases		
- Minimum Lease payments	**510**	512

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2010

	Consolidated Entity	
	2010	**2009**
	$000	$000
Note 4 Earnings per Share		
Basic earnings per share (cents per share)	**0.81**	0.70
Diluted earnings per share (cents per share)	**0.81**	0.70
Net profit used in calculating basic and diluted EPS ($'000)	**1,773**	1,526
Weighted average number of ordinary shares used in calculating basic earnings per ordinary share ('000 shares)	**218,309**	217,806
Weighted average number of ordinary shares used in calculating diluted earnings per share ('000 shares)	**218,309**	217,806

Note 5 Borrowings

	2010	2009
Secured		
Commercial Bill Facility	**1,864**	2,724
Finance Leases	**366**	-
Bank Overdraft	**-**	169
Other Loan	**-**	500
Unsecured		
Convertible Notes	**3,180**	3,098
	5,410	6,491

eBet Limited

Notes to the Consolidated Preliminary Financial Statements for the year ended 30 June 2010

Note 6 **Statement of Operations by Segment**

	Gaming Systems		Wagering		Media		Consolidated Entity	
	2010	2009	2010	2009	2010	2009	2010	2009
	$000	$000	$000	$000	$000	$000	$000	$000
Revenue	**27,390**	24,394	**710**	876	**-**	-	**28,100**	25,270
Profit / (loss) before income tax	**2,279**	1,640	**172**	356	**(423)**	(408)	**2,028**	1,588
Income tax expense							**(255)**	(62)
Net profit							**1,773**	1,526
Total segment assets	**38,255**	27,796	**2,307**	1,486	**989**	921	**41,551**	30,203
Total segment liabilities	**20,634**	11,399	**191**	53	**43**	-	**20,868**	11,452

Note 7 **Contributed Equity**

	Consolidated Entity	
	2010	**2009**
	$000	$000
Issued Capital		
218,815,202 (June 2009: 217,806,111) fully paid ordinary shares	**50,075**	50,075
Shares issued during the year :-		
909,091 on 11 Dec 2009	**40**	-
101,217 on 01 Feb 2010	**6**	-
Balance at end of financial year 218,815,202 (2009: 217,806,111) fully paid ordinary Shares	**50,121**	50,075
Other Equity Securities		
Value of conversion rights - convertible notes	**159**	159
Total contributed equity	**50,280**	50,234

Note 8 **Contingent Liabilities**

The Group has the following contingent liability, not provided for in the financial report:

Bank Guarantee	**307**	312