

GLOBAL CASINOS INC
Form 10KSB
October 17, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-15415

GLOBAL CASINOS, INC.

(Name of Small Business Issuer in its Charter)

Utah

87-0340206

(State or other jurisdiction
of incorporation or organization)

I.R.S. Employer
Identification number

5455 Spine Road, Suite C, Boulder, Colorado 80301

(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (303) 527-2903

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, \$.05 par value

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes No

The Issuer's revenues for the fiscal year ended June 30, 2005 were \$3,925,431. As of October 3, 2005, the aggregate market value of the Common Stock of the Issuer based upon the average bid and asked prices of such Common Stock,

held by non-affiliates of the Issuer was approximately \$2,784,000. As of October 3, 2005, there were 3,321,360 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant incorporates by this reference the following:

PART IV - EXHIBITS

1. Incorporated by reference from the Company's Annual Report on Form 10-KSB/A as filed with the Commission on November 25, 2003.
2. Incorporated by reference from the Company's Annual Report on Form 10-KSB/A as filed with the Commission on July 15, 2003.
3. Incorporated by reference from the Company's Annual Report on Form 10-KSB as filed with the Commission on February 24, 2003.
4. Incorporated by reference from the Company's Annual Report on Form 10-KSB as filed with the Commission on October 12, 2004.
5. Incorporated by reference from the Company's Registration Statement on Form SB-2, SEC File No. 333-123206 as declared effective by the Commission on April 8, 2005.

FORWARD LOOKING STATEMENTS

Certain statements made in this Annual Report are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements made in this Report are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based, in part, on assumptions involving the growth and expansion of business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes that its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements made in this Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements made in this Report, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

PART I

ITEM 1.

DESCRIPTION OF BUSINESS

Overview

Global Casinos, Inc. ("the Company", "Global Casinos", or "Global") and its wholly owned subsidiaries operate in the domestic gaming industry. The Company is organized as a holding company for the purpose of acquiring and operating casinos, gaming properties, and other related interests. Global was organized under the laws of the State of Utah on June 8, 1978.

As of June 30, 2005, Global had one operating subsidiary, which owns and operates the Bull Durham Saloon & Casino ("Bull Durham") located in Black Hawk, Colorado.

Description of Operations

Casinos U.S.A. - The Bull Durham Saloon and Casino

Background. Casinos U.S.A. was acquired on November 19, 1993. Global Casinos acquired 100% of the outstanding common stock of Casinos U.S.A., a Colorado corporation, and Lincoln Corporation ("Lincoln") and Woodbine Corporation ("Woodbine"), both South Dakota corporations, in exchange for 253,500 shares of the Company's common stock. Lincoln and Woodbine operated the Last Chance Saloon and Lillie's, respectively; both located in Deadwood, South Dakota. The Company permanently closed the Last Chance Saloon on May 31, 1994 and Lillie's on June 30, 1995 due to unprofitable operations. Both Lincoln and Woodbine are now inactive corporations.

In October 1995, Casinos U.S.A. filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code as it was in default under all of its secured obligations encumbering the Bull Durham Saloon and Casino. In January 1997, the Court approved the Debtor's Second Amended Plan of Reorganization (the "Plan"), and in February 1998 the bankruptcy was discharged upon being fully administered.

Operations. The Bull Durham is located approximately one hour from Denver, Colorado in the mountain town of Black Hawk. The Company has operated The Bull Durham since 1993, soon after limited stakes gambling was legalized in Black Hawk in 1992. The casino holds a retail liquor license issued by the State of Colorado and offers limited food service in addition to beverages.

Presently, the casino occupies approximately 7,400 square feet of space located at 110 Main Street in Black Hawk, Colorado. Casinos U.S.A. owns the building in which the Bull Durham operates, subject to three deeds of trust securing a total of \$2,014,000 in debt.

As of August 31, 2005, we operated 186 slot machines. The Bull Durham does not operate any table games.

New slot machine designs are introduced every year by the equipment manufacturers. Certain games become more popular and older games tend to become less popular. During the past year, we replaced or upgraded 39 machines. The current popular trend is in the "penny" and "nickel" machines.

During the year ended June 30, 2005, we installed the Oasis Casino Management System ("Oasis System") produced by Aristocrat Technologies. The Oasis System connects our slot machines to a central computer that monitors all activity on each device. It includes a "Player Tracking System" that allows us to implement new features and benefits into our Frequent Player Club (known as the "Sharpshooter Club") and will enable us to properly recognize our VIP players. We believe that the new system will provide several operational efficiencies. It will eliminate certain labor costs associated with the player tracking system that we previously employed and it will reduce the labor effort required to record and analyze device meter readings. It will also allow us to target our marketing efforts towards the most active players. Our investment in the Oasis System totaled \$380,000 and is expected to yield increased revenues and reduced labor costs.

The Bull Durham's customer base consists primarily of day visitors from Denver. Many gamblers are transported to Black Hawk on charter buses provided by the casinos. A city bus stop is adjacent to the casino. During the past two years, we increased our utilization of charter bus services. We contract certain bus companies to transport guests to our casino from Denver and its surrounding communities.

As we do not have parking facilities available for our customers, we rely totally on "walk-in" traffic and charter bus traffic. This traffic declines during the winter months when the weather deteriorates. We do not have a full service

restaurant. Some of our competitors provide extensive food service, including Las Vegas style buffets. We have not yet installed "cashless tickets" capability on our slot machines. This technology is new and has not yet been embraced by gaming patrons in Colorado.

2002 Restructuring. Beginning in approximately April 2002, the Company engaged in a series of meetings and discussions with the Colorado Division of Gaming surrounding the then pending application to renew the gaming license covering the Bull Durham. The Division of Gaming expressed concern that the Company's directors and officers, Messrs. Jennings and Neuman, had other associations with the Company's former directors, Messrs. Calandrella and Thygesen, the latter of whom had been the subject of an Initial Decision by an Administrative Law Judge of the Securities and Exchange Commission finding violations of federal securities laws. Notwithstanding the fact that Messrs. Calandrella and Thygesen had previously resigned from the Company, the Division of Gaming requested that Messrs. Jennings and Neuman, neither of whom were subject to the SEC administrative action, nevertheless resign as control persons of Casinos, U.S.A., the company that owned the Bull Durham and to which the gaming license would be issued.

Concurrently with the discussions with the Division of Gaming, the Company entered into discussions with Astraea Investment Management, L.P. ("Astraea") to restructure the Company's financial and operational obligations. In July 2002, The Company agreed to a term sheet ("Astraea Term Sheet") covering various interrelated transactions more fully described below. Effective September 17, 2002, the terms of the restructuring were finalized (the "2002 Restructuring"), resulting in the following:

- * Astraea agreed to waive accrued and unpaid interest and fees under an unsecured \$500,000 note (the "Astraea Unsecured Note").
- * Astraea agreed to extend the maturity date of the Astraea Unsecured Note to 2009, and to reduce the rate of interest thereon to four percent (4%) per annum.
- * Astraea agreed that there would be a moratorium on payments on the Astraea Unsecured Note for 30 months.
- * Global Casinos and Astraea agreed that the Astraea Unsecured Note would be assigned to and assumed by Casinos, U.S.A. and be secured by one hundred percent (100%) of the outstanding shares of common stock of Casinos, U.S.A. (which owns the Bull Durham) and a security interest in the tangible and intangible assets of Casinos, U.S.A.
- * It was agreed that Global would continue to manage the Bull Durham for a management fee of \$10,000 per month. Global Casinos has agreed to provide Astraea with certain financial reporting and inspection rights going forward.
- * Astraea has agreed to restructure its two mortgage notes against the Bull Durham to provide for interest at the rate of seven percent (7%) with a thirty-year amortization and an extended maturity date to 2009. Astraea also agreed to defer installment payments on its two secured promissory notes to the extent of one hundred percent (100%) of each such installments until an aggregate deferral totaling \$100,000 is reached, but in no event more than one (1) year. Deferred installment payments will be set aside and used for working capital purposes and capital expenditures at the Bull Durham which are approved by Astraea. Any expenses incurred by Astraea in connection with the restructure of the indebtedness will be added to the principal balances of its secured notes and repaid as part of the balloon payment at the maturity date of such note. Debt to third parties associated with the gaming equipment located at the Bull Durham has been restructured with the agreement of the vendor.
- * junior secured mortgage notes encumbering the Bull Durham would be restructured to bear interest at the rate of four percent (4%) per annum and amortized in a straight line over a term of thirty (30) years, with a seven-year balloon;
- * All debt associated with gaming equipment located at the Bull Durham is required to be restructured to the satisfaction of Astraea.
- *

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All shares of Casinos, U.S.A. preferred stock properly issued or issuable pursuant to an accounting to be mutually agreed upon by Global Casinos and Astraea in connection with the building expansion program undertaken by the Bull Durham shall be cancelled as part of the restructuring of Global Casinos.

- * Global Casinos granted to Astraea an option exercisable after March 17, 2005 to purchase all of the issued and outstanding shares of common stock of Casinos, U.S.A. for a purchase price of \$100. Global Casinos may redeem the option by paying to Astraea an amount sufficient to retire in full the \$500,000 promissory note held by Astraea and assumed by Casinos, U.S.A. together with interest at the rate of twelve percent (12%) per annum.
- * The Board of Directors of Casinos, U.S.A. was reconstituted to consist of persons approved by Astraea and the Colorado Division of Gaming, and the voting shares of Casinos, U.S.A. have been made subject to a voting agreement to enforce this agreement.
- * Arrangements have been made to restructure a note payable from the Bull Durham to Global Casinos to permit debt service by Global Casinos on a note held by a third party.
- * The warrants to purchase shares of Casinos U.S.A. and the participation in net cash flow provided for under Casinos U.S.A.'s Chapter 11 Bankruptcy Plan of Reorganization were cancelled.

Each of the foregoing points of agreement covered by the Astraea Term Sheet were memorialized in definitive agreements executed by Global Casinos, Casinos U.S.A., Astraea and third parties and previously filed as exhibits with the Securities and Exchange Commission.

The Astraea Term Sheet providing for the foregoing was executed by an on behalf of Global Casinos, Casinos U.S.A., Astraea and the holders of all subordinated mortgage notes against the Bull Durham except for the holders of approximately \$200,000 in subordinated mortgage notes. With respect to those junior lienholders, the Company nevertheless began making revised payments based upon the restructured interest rate and maturity date provided for in the Astraea Term Sheet in the fourth quarter of 2002, without objection or protest on the part of the holders of those subordinated mortgage notes. The Company takes the position that by their acquiescence, those subordinated note holders are deemed to be bound by the terms of the Astraea Term Sheet.

Regulation. The Bull Durham began gaming operations in 1993 as a Class B Gaming Casino, which limits the casino to four (4) gaming tables and fewer than two hundred fifty (250) slot machines. Under limited stakes gaming regulations in Colorado, maximum wagers are limited to \$5.00 per bet.

Ownership and operation of gaming establishments are extensively regulated by states in which such activities are permitted. Colorado has adopted numerous statutes and regulations covering limited stakes gaming operations. Existing regulation includes various aspects of the gaming industry, including ownership, operation and employment in all limited stakes gaming operations, taxation of revenues and regulation of equipment utilized in connection with such activities. Virtually all aspects of ownership and operation of gaming facilities require licensing by the state. Operators, machine manufacturers and distributors, employees and retailers are all subject to extensive investigation and regulation prior to licensing to engage in gaming activities. The procedure for obtaining these licenses is time consuming and costly. Prior to November 1, 2002, Global held a gaming license to operate the Bull Durham. Effective November 1, 2002, the gaming license was transferred to Casinos, U.S.A., Inc., our subsidiary that owns the Bull Durham, as part of an overall restructuring of our business operations under the Astraea Term Sheet. This restructuring was undertaken, in part, at the behest of the Division of Gaming.

Because the Company is a publicly traded corporation, each of the officers, directors and shareholders owning 5% or more of the equity interest prior to November 1, 2002, had to be approved by the Colorado Division of Gaming. With the transfer of the gaming license to Casinos, U.S.A., the officers and directors of that subsidiary must be approved by the Division of Gaming. The criteria established in determining the suitability to conduct such operations include financial history, criminal record and character, in addition to satisfaction of application procedures set forth in the existing regulations.

Under current regulations promulgated by the Colorado Limited Gaming Commission (the "Gaming Commission"), no gaming licensee may issue shares except in accordance with Colorado gaming laws and regulations; and any such issuance will be ineffective and such stock shall not be deemed issued until compliance is obtained; no shares of the licensee may be transferred except in accordance with Colorado Gaming Laws and regulations; and if the Gaming Commission determines that a holder of a licensee's securities is unsuitable, the licensee or a suitable person must, within sixty days, purchase such securities at the lesser of the unsuitable person's investment or the current market price of such securities. Any person who becomes a beneficial owner of five percent or more of the Company's common stock must notify the Division of Gaming within ten days after such person acquires such securities and must provide such additional information and be subject to a finding of suitability as required by the Division of Gaming Commission. The Company must notify each person who is subject to this regulation of its requirements as soon as it becomes aware of the acquisition. The same regulations apply to any person who becomes a beneficial owner of more than ten percent of any other class of voting securities of the Company.

Existing federal and state regulations may also impose civil and criminal sanctions for various activities prohibited in connection with gaming operations. State statutes and regulations also prohibit various acts in connection with gaming operations, including false statements on applications and failure or refusal to obtain necessary licenses described in such regulations. Violation of any of these existing or newly adopted regulations may have a substantial adverse effect on the operations of the Company and its subsidiaries.

The Company has been granted a casino tavern license issued under the Colorado Liquor Code for the Bull Durham. As revised in 1993, the Colorado Liquor Code now includes a casino tavern license issuable to duly licensed and operating limited stakes gaming casinos.

The beverage license is revocable and non-transferable. Licensing authorities may limit, condition, suspend or revoke the license. Violation of beverage laws or regulations can result in loss of license and may constitute a criminal offense punishable by fines, incarceration, or both.

Net profits derived from the operations of the Company and its subsidiaries are subject to taxation at the federal, state and local levels. The State of Colorado imposes a variable gaming tax on "adjusted gross proceeds" ("AGP"), which includes the total amount of all wagers made by players less all payments received by such players. As revised in July 1999 the progressive tax rate ranges from 0.25% on the first \$2,000,000 of AGP to 20% on AGP in excess of \$15,000,000. Local governmental units assess real and personal property taxes on the value of many assets, including land, building and gaming equipment. In addition, the city of Black Hawk assesses "device fees" on each gaming device utilized in a casino.

Competition. Competition in the gaming industry in the United States is intense. There are numerous competitors engaged in the same business as the Company, and the Company's operations also compete with other forms of gaming activities, such as Bingo, Lotto, table games, sports betting and pari-mutuel wagering. Competition in Black Hawk, Colorado is particularly intense as competitors are in very close proximity to the Company's operations. There are now 21 casinos operating in the Black Hawk market. Additionally, there are 7 casinos located approximately one mile west in Central City. The Bull Durham Casino is relatively small in comparison to the other casinos in the market. There are currently 9,365 slot machines in the Black Hawk market and 2,025 in the Central City market. Based upon the number of slot machines in Black Hawk, The Bull Durham represents only 2.0% of the market. The average win per device for the Bull Durham is less than the average for all casinos in Black Hawk. As a result the Bull Durham net win represents less than 1% of the market. The Bull Durham attempts to stay competitive by providing personal customer service and state-of-the-art gaming devices. We developed a direct mail marketing campaign that targets repeat customers as part of our efforts to maintain market share.

The 1991 referendum that authorized gaming in Colorado limited casinos to three mountain towns, Black Hawk, Central City, and Cripple Creek. There are two Native American casinos in Colorado, both in the southwest region of

the state. However, future referendums could expand gaming to other locations. Other forms of legal gaming in Colorado include lottery games, dog and horse racing, and bingo.

It is possible that additional forms of gaming could be authorized. Colorado does not currently allow video lottery terminals ("VLT"). VLT's are games of chance similar to slot machines that generate a random set of numbers to be displayed on a video screen. Winning bets are rewarded with a ticket that can be exchanged for cash. An initiative to legalize VLT's that was on the ballot for the November 2003 general election was defeated.

Seasonality. Because the Bull Durham Casino is located in a small mountain community west of Denver, it experiences its peak business during the summer months when weather conditions are more favorable. The winter months tend to be substantially slower when weather conditions reduce the amount of traffic through the town.

OnSource Corporation. During the year ended June 30, 2002, Global declared a stock dividend consisting of its ownership interest in OnSource Corporation, a Delaware corporation ("OnSource"). OnSource had been formed by Global as a wholly owned subsidiary to facilitate the transfer of certain assets to Global's shareholders.

Effective July 1, 2001, Global transferred to OnSource its interest in Global Alaska Industries ("Global Alaska"), a wholly owned subsidiary, and certain other liabilities. Global established August 6, 2001 as the record date for determining the shareholders entitled to receive the stock dividend. Global stockholders received one share of OnSource common stock for every ten shares of Global common stock beneficially owned as of August 6, 2001. OnSource filed a registration statement with the U.S. Securities and Exchange Commission ("SEC") on September 26, 2002, registering the distribution of the OnSource dividend. Amendments to the registration statement were filed on January 13, 2003, April 16, 2003 and September 29, 2003 and November 10, 2003. The shares of OnSource were distributed to shareholders during fiscal 2004.

Global Alaska's operations were conducted through its wholly owned subsidiary, Alaska Bingo Supply, Inc. ("ABS"), an Alaska corporation. ABS is primarily engaged in the distribution of a full line of products, supplies and equipment utilized by licensed gaming organizations in the State of Alaska. Gaming in Alaska is limited to qualified organizations (primarily non-profit groups and municipalities) that operate bingo and pull-tabs games for fund raising purposes.

Employees

The Company's sole executive officer is Frank L. Jennings, President and Chief Financial Officer.

The Bull Durham operates with an on-site general manager. It currently employs 32 persons, including 28 that are considered full-time and 4 that are considered part-time. The Company is not part of any collective bargaining agreement. There have been no work stoppages and the company believes its employee relations are good.

Intellectual Property

The Company does not claim any intellectual property protection to any of its assets and does not believe that intellectual property protection is material to its operations.

Consultants

Since July 1, 2000, Gunpark Management LLC, has been providing us with certain management, clerical and administrative services. Mr. Jennings, our Chief Executive/Financial Officer, is a member of Gunpark Management LLC. Mr. Jennings and Gunpark Management provide similar services to other companies. We are charged our pro-rata share of the expenses associated with the services we receive.

ITEM 2.

DESCRIPTION OF PROPERTY

Corporate Offices

The Company leases approximately 4,200 square feet of space in Boulder, Colorado for use as its corporate offices. The lease requires monthly payments of approximately \$3,500 and expires in July 2006. A portion of the facility is subleased to other parties for monthly sublease income approximating \$2,500.

Operating Subsidiaries

The facilities and properties of the Company's sole operating subsidiary are more fully described in Item 1 of this Report and are incorporated herein by this reference.

The Company believes that each of its facilities is adequate for its intended purpose and does not plan any significant investment in additional facilities during the next year.

ITEM 3.

LEGAL PROCEEDINGS

The Company and its officers and directors are involved in the following material legal proceedings:

Securities and Exchange Commission

In the Matter of Global Casinos, Inc. and William P. Martindale, Securities Act Release No. 33-7586, Exchange Act Release No. 34-40469 (September 24, 1998). On September 24, 1998, the Company and its former director, William P. Martindale, voluntarily entered into a Voluntary Consent Decree with the Securities and Exchange Commission, pursuant to which an Administrative Order was entered by the Commission directing the Company and Mr. Martindale to cease and desist from future anti-fraud violations of the federal securities laws.

Civil Litigation

Harry Schmidt vs. Global Casinos, Inc. On February 28, 2005, Harry Schmidt filed a civil suit against Global Casinos, Inc. demanding payment in excess of \$59,000 related to two promissory notes that originated in 1996. The Company has retained legal counsel and is vigorously defending the matter. The Company cannot determine the likely outcome of this litigation.

Michael Jacobs vs. Global Casinos, Inc. This matter was filed as a civil action, which has been stayed pending mandatory arbitration. Mr. Jacobs was a former employee of the Company in Dallas, Texas and is asserting claims for compensation for services rendered while under the supervision of William P. Martindale at the Company's then existing Dallas, Texas office. The Company has retained local legal counsel and is vigorously defending the matter. The Company believes that the likelihood of a material adverse outcome in this matter is remote.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's shareholders during the quarter ended June 30, 2005.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The outstanding shares of Common Stock are traded over-the-counter and quoted on the OTC Bulletin Board ("OTCBB") under the symbol "GBCS". The reported high and low bid and ask prices for the common stock are shown below for the period from July 1, 2003 through September 30, 2005.

	<u>Bid</u>		<u>Ask</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
2004 Fiscal Year				
July-Sept 2003	\$0.15	\$0.03	\$0.25	\$0.04
Oct-Dec 2003	0.05	0.04	0.12	0.10
Jan-Mar 2004	0.05	0.04	0.11	0.10
Apr-June 2004	0.15	0.05	0.20	0.10
2005 Fiscal Year				
July-Sept 2004	\$0.35	\$0.05	\$0.50	\$0.07
Oct-Dec 2004	1.05	0.28	1.14	0.28
Jan-Mar 2005	1.26	0.86	1.29	0.90
Apr-June 2005	1.13	1.02	1.20	1.02
2006 Fiscal Year				
July-Sept 2005	\$1.15	\$0.85	\$1.20	\$0.95

The bid and ask prices of the Company's common stock as of October 3, 2005 were \$0.96 and \$1.02, respectively, as reported on the OTCBB. The OTCBB prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions.

As of September 30, 2005, there were approximately 881 record owners of the Company's common stock and approximately 2,000 beneficial owners.

The OTC Bulletin Board is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCBB is not an issuer listing service, market or exchange. Although the OTCBB does not have any listing requirements, per se, to be eligible for quotation on the OTCBB, issuers must remain current in their filings with the SEC or applicable regulatory authority.

The Company's Board of Directors may declare and pay dividends on outstanding shares of common stock out of funds legally available therefor in its sole discretion; however, to date other than the OnSource spin-off dividend no dividends have been paid on common stock and the Company does not anticipate the payment of dividends in the foreseeable future. Further, under the terms of the convertible preferred stock issued by the Company, the Company is restricted from paying cash dividends on common stock during the period that the convertible preferred stock is outstanding.

Recent Sales of Unregistered Securities

In August 2004, two directors and an affiliate of a director converted an aggregate of \$60,000 in outstanding accrued and unpaid fees into 300,000 shares of common stock at a conversion price of \$.20 per share. The shares were taken for investment purposes and were subject to restrictions on transfer. The shares were issued without registration

under the Securities Act of 1933, as amended, in reliance upon the exemption from the registration requirements thereof contained in Section 4(2) thereunder.

In September 2004, we sold to three investors an aggregate of 250,000 units at a price of \$.10 per unit. Each unit consisted of one share of common stock and one warrant exercisable for a period of 15 months to purchase one additional share of common stock at an exercise price of \$.15. The securities were taken for investment purposes and were subject to restrictions on transfer. The securities were issued without registration under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon Section 4(2) and Regulation D, Rule 504 thereunder.

On January 3, 2005, we completed the private placement of units, each unit consisting of a 12% convertible debenture and a warrant exercisable to purchase one share of our common stock for each dollar in principal amount of debenture at an exercise price of \$0.15. In total, up to 1,500,000 shares of our common stock could be issued if all of the debentures were converted and all of the warrants exercised. Gross proceeds of the offering were \$500,000, which proceeds were used to retire a secured note and an option held by Astraea Investment Management, L.P. The units were sold to a total of six investors, each of whom qualify as an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act. The securities were taken for investment purposes and were subject to restrictions on transfer. The securities were issued in reliance on Rule 506, Regulation D promulgated under the Securities Act of 1933, as amended.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights <u>(a)</u>	Weighted average exercise price of outstanding options, warrants and rights <u>(b)</u>	Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a)) <u>(c)</u>
Equity compensation plans approved by security holders	100,000	\$.14	-0-
Equity compensation plans not approved by security holders ⁽¹⁾	<u>200,000</u>	\$.10	<u>-0-</u>
Total	<u>300,000</u>	\$.12	<u>-0-</u>

(1) Includes nonqualified options granted to directors.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical facts are forward-looking statements such as statements relating to future operating results, existing and expected competition, financing and refinancing sources and availability and plans for future development or expansion activities and capital expenditures. Such forward-looking statements involve a number of risks and uncertainties that may significantly affect the Company's liquidity and results in the future and, accordingly, actual results may differ materially from those expressed in any forward-looking statements. Such risks and uncertainties include, but are not limited to, those related to effects of competition, leverage and debt service financing and refinancing efforts, general economic conditions, changes in gaming laws or regulations (including the legalization of gaming in various jurisdictions) and risks related to development and construction activities. The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this report.

Results of Operations - Fiscal Year Ended June 30, 2005 Compared to the Fiscal Year Ended June 30, 2004

Casino Operation. Total casino revenues for the year ended June 30, 2005 increased by \$780,554 or 25% to \$3,925,431 from \$3,144,877 in 2004. We attribute the increased revenues to an expansion of our direct mail marketing campaign, a disruption in the business of certain competing casinos, and a revision in the mix of slot machines on the casino floor. Our marketing campaign improved revenues because we mail direct marketing materials more often and because the mailings are targeted toward our most loyal customers. Some of our competitors underwent significant expansion and remodeling projects that disrupted their business. We were able to capitalize on limited access to their business. They completed their construction projects during the spring and summer of 2005 and we expect that they will recapture some of their lost business. Finally we continue to improve our slot machines. In some cases, we simply replace older machines with newer models. In other cases, we are able to convert a machine to a new theme. Certain machines allow us to change the theme of the game by upgrading software and replacing the glass panels that contain the game's graphics. During the year ended June 30, 2005, we replaced 12 machines and we installed conversion kits on 27 machines.

We operate a limited food and beverage service incidental to the operation of the casino. Food and beverage revenues approximate 1% of casino revenues.

Our casino operating costs increased from \$2,537,693 in 2004 to \$2,979,263 in 2005, an increase of \$441,570. Our costs increased 17% while our revenues increased 25%. The largest cost increase of \$139,235 was payroll related as we matched our staffing levels to our increased level of business. Depreciation increased by \$61,597 because we continue to replace or upgrade our slot machines. Gaming taxes increased by \$19,424 because of increased device fees on slot machines and the progressive nature of the gaming tax on revenues. We increased our various marketing and promotional efforts by \$128,159. The increased efforts primarily related to our direct mail campaign. We also increased our utilization of charter buses, an expense that increased by \$25,525.

General and Administrative. General and administrative expenses increased by \$251,510 from \$153,711 in 2004 to \$405,221 in 2005. The majority of the cost increase related to our debt restructuring efforts. It includes \$82,012 paid to redeem the Astraea option on Casinos USA and \$77,000 related to the extinguishment of debt and associated litigation. We expanded our public relations activities and incurred costs of \$24,000. Finally, we incurred additional professional fees in connection with the private placement of convertible debentures.

Interest expense. Interest expense increased to \$440,585 in fiscal 2005 from \$201,298 in 2004, an increase of \$239,287 or 119%. During 2005, we issued 12% convertible debentures with detachable warrants and a beneficial conversion feature. Amortization of the debt discount resulting from the warrants and beneficial conversion feature was \$250,000, which increased our reported interest expense. Amortization of the discount is scheduled to be \$250,000 during fiscal year 2006.

Gain on Debt Restructuring. During FY 2005, we completed a restructuring of certain debts. We extinguished principal of \$307,973 (plus accrued and unpaid interest of \$398,688) that became unenforceable obligations because the statute of limitations had expired. We converted certain notes payable into equity by issuing 110,000 shares of common stock to creditors in exchange for outstanding principal of \$110,000 and accrued interest of \$103,390. The common stock had a market value of \$104,500, resulting in a gain of \$108,890. In connection with the early retirement of certain mortgage debts, we agreed to discounted cash payments of \$43,010 for mortgages with a remaining balance of \$68,700, resulting in a gain of \$25,690.

Income taxes. For tax purposes, Global has accumulated net operating losses aggregating \$6,598,000 available to offset future taxable income, if any. Taxable income reported for 2004 has been offset by these NOL carryforwards. These net operating losses can be carried forward for fifteen years. They will expire in the years from 2009 to 2016. The Tax Reform Act of 1986 limits the utilization of NOL carryforwards under certain circumstances. Therefore, the Company's ability to fully utilize the carryforwards is not assured and this asset is not reflected on the Company's

balance sheet.

Liquidity and Capital Resources

Historically, cash generated from operations has not been sufficient to satisfy working capital requirements and capital expenditures. Consequently, the Company has depended on funding through debt and equity financing to address these shortfalls. The Company has also relied, from time to time, upon loans from affiliates to meet immediate cash demands. There can be no assurance that these affiliates or other related parties will continue to provide funds to the Company in the future, as there is no legal obligation to provide such loans.

As of June 30, 2005 and for the year then ended, neither the Company nor its subsidiaries have commercial bank credit facilities.

Consequently, we believe that future cash needs must be internally generated through operations. Cash flow at the Company's sole operating subsidiary has been sufficient to fund operations at that subsidiary and we believe that cash flow will be sufficient during the next twelve months to continue operation of the subsidiary.

Current assets increased from \$762,259 at June 30, 2004 to \$1,001,086 at June 30, 2005, an increase of \$238,827. Current assets increased because of increased cash flow from operations. Current liabilities decreased from \$2,126,305 at June 30, 2004 to \$910,264 at June 30, 2005, a decrease of \$1,216,041. Approximately \$817,000 of the decrease related to our debt restructuring efforts. The remainder resulted from our improving cash flow.

Net cash provided by operating activities increased by \$96,992, primarily because of improved operating results at the casino.

Investing activities used net cash of \$282,263 in 2005 compared to \$73,117 in fiscal 2004. The net change of \$209,147 represents the increase in capital expenditures to improve the Bull Durham. Total capital expenditures committed for 2005 was \$660,370, including amounts financed by vendors. Capital expenditures included the Oasis Casino Management System, new slot machines, and conversion kits for slot machines.

The Company used \$251,795 in net cash for financing activities during the year ended June 30, 2005 compared to \$418,764 during 2004. The amount used in 2004 represented the scheduled payments on our financing agreements. In 2005, we used \$759,374 as principal payments on debt (including \$424,465 to retire certain Astraea debt) and we used \$46,921 to redeem the Series C preferred stock. The payments were offset by proceeds received from the private sale of convertible debentures (\$500,000) and 250,000 shares of common stock (\$25,000).

Effective January 3, 2005 the Company finalized the private placement of convertible debentures that bear interest at 12% and mature on December 31, 2007. The debentures were sold at face value for gross proceeds of \$500,000 and are secured by a pledge of 100% of our shares of Casinos USA. The debentures are convertible into common stock at a conversion rate of \$0.50 per share. Holders of the debentures also received warrants to purchase 500,000 shares of common stock at an exercise price of \$0.15 per share. Subsequent to June 30, 2005, all holders of the debentures have agreed that the entire principal amount of the debentures will automatically convert into shares of common stock on December 31, 2005.

The warrants were valued using the Black Scholes option pricing model based on the market price of the common stock at the commitment date. The warrant valuation of \$237,000 has been allocated to additional paid in capital. After allocating value to the warrants, we used the intrinsic value method to determine that all of the remaining proceeds should be allocated to the embedded beneficial conversion feature. As such, \$263,000 was credited to additional paid in capital. The total allocation of \$500,000 will be amortized over 36 months commencing January 3, 2005. Amortization expense during fiscal year 2005 was \$250,000.

In September 2004, the Company sold to three investors an aggregate of 250,000 units at a price of \$0.10 per unit. Each unit consisted of one share of common stock and one warrant exercisable for a period of 15 months to purchase one additional share of common stock at an exercise price of \$0.15. The securities were taken for investment purposes and were subject to restrictions on transfer. The securities were issued without registration under the Securities Act of 1933, as amended, in reliance upon the exemption from registration requirements thereof contained in Section 4(2) and Regulation D, Rule 504 thereunder.

As of June 30, 2005, there were 200,500 shares of Series A Convertible Preferred Stock that remained outstanding. The original offering comprised 1,406,250 units. Under the original terms of the offering, the units were comprised of one share Series A Redeemable Preferred Stock with a mandatory redemption date of May 31, 1995 and one-half Class D common stock purchase warrant with an exercise price of \$3.00 per share. On May 31, 1995, a majority of the preferred stock holders agreed to waive the mandatory redemption in consideration for a lower conversion price into common shares of \$1.125 per share and lower warrant price of \$0.50 per share. Subsequently, 1,205,750 shares of preferred stock were converted. Both the conversion privilege and the mandatory redemption privilege originally included with this stock have expired. None of the Class D warrants originally issued as part of the unit remain outstanding. The expiration of the mandatory redemption feature occurred in 2005. Accordingly, the outstanding Series A shares have been reclassified from current liabilities to stockholders' equity.

As of June 30, 2005, there were no shares of Series C Preferred Stock that remained outstanding. The stock has a stated value of \$1.20 and is convertible into one share of common stock. Holders of Series C preferred stock are entitled to vote and to receive dividends at the annual rate of 7% based on the stated value per share. The dividends are cumulative, with any outstanding unpaid dividends bearing interest at an annual rate of 10%. During the year ended June 30, 2005, the Company redeemed all of the outstanding Series C shares plus accrued dividends and interest for a total cash payment of \$73,474.

During the year ended June 30, 2005, we retired a promissory note held by Astraea in the principal amount of \$424,465 plus accrued interest of \$18,023. The note, which had been restructured in 2002, was secured by a pledge of 100% of the shares of Casinos USA. In addition, the 2002 Restructuring granted to Astraea an option to purchase all of the shares of Casinos USA for \$100. Global Casinos could repurchase and cancel the option by repaying the principal and interest plus an option fee of \$82,012. The option fee was paid during 2005 and the option has been cancelled.

Further as part of the 2002 Restructuring, Astraea as holder of the first two mortgages against the Bull Durham agreed to a 12-month moratorium on monthly payments and to an extension of the maturity date of those mortgages from 2004 to 2009. In addition, junior mortgage holders holding all of the subordinated debt against the Bull Durham except for the holders of approximately \$200,000 in subordinated mortgages also agreed to reduce the interest rate of their mortgage notes to 4% per annum and agreed to extend the maturity date of those notes from 2004 to 2009. Since September 2002, the Company has been paying the holders of the junior mortgages who did not agree to accept the Astraea Term Sheet on the basis of the reduced interest rate and extended maturity date provided for in that Term Sheet. Since that time, the holders of those junior mortgages have been acquiescing and accepting the modified payment without objection. The Company has taken the position that such acquiescence and acceptance without objection constitutes a legally enforceable modification by estoppel.

The Company's common stock is neither listed nor traded on NASDAQ or a national securities exchange. Information about the Company's stock can be found at the OTC Bulletin Board ("OTCBB"). The OTC Bulletin Board is a registered quotation service that displays real-time quotes, last sale prices and volume information in over-the-counter (OTC) securities. An OTC equity security generally is any equity that is not listed or traded on NASDAQ or a national securities exchange. The OTCBB is not an issuer listing service, market or exchange. Although the OTCBB does not have any listing requirements, per se, to be eligible for quotation on the OTCBB,

issuers must remain current in their filings with the SEC or applicable regulatory authority.

ITEM 7. FINANCIAL STATEMENTS

The following consolidated financial statements are filed as part of this report:

1. Report of Independent Registered Public Accounting Firm
2. Balance Sheet as of June 30, 2005
3. Statements of Operations for the Years Ended June 30, 2005 and 2004
4. Statements of Stockholders' Equity for the Years Ended June 30, 2005 and 2004
5. Statements of Cash Flows for the Years Ended June 30, 2005 and 2004
6. Notes to Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Global Casinos, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Global Casinos, Inc. and Subsidiaries as of June 30, 2005, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended June 30, 2005 and 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Casinos, Inc. and Subsidiaries as of June 30, 2005, and the consolidated results of its operations and cash flows for the years ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Stark Winter Schenkein & Co., LLP

Denver, Colorado
October 11, 2005

GLOBAL CASINOS, INC. AND SUBSIDIARIESCONSOLIDATED BALANCE SHEET

as of June 30, 2005

ASSETS

Current assets:

Cash and cash equivalents	\$ 917,208
Accrued gaming income	70,523
Inventory	6,115
Other	<u>7,240</u>
Total current assets	<u>1,001,086</u>

Land, building and improvements, and equipment:

Land	517,950
Building and improvements	4,089,294
Equipment	<u>2,143,130</u>
	6,750,374
Accumulated depreciation	<u>(2,693,976)</u>
	<u>4,056,398</u>
	<u>\$ 5,057,484</u>

LIABILITIES AND STOCKHOLDERS'EQUITY

Current liabilities:

Accounts payable, trade	\$ 13,838
Accounts payable, related parties	210,543
Accrued expenses	186,094
Accrued interest	49,803
Current portion of long-term debt	329,986
Other	<u>120,000</u>
Total current liabilities	<u>910,264</u>

Long-term debt, less current portion and debt discount

2,231,041

Commitments and contingencies

Stockholders' equity:

Preferred stock - 10,000,000 shares authorized:	
Series A - non-yielding, \$2.00 stated value, voting	
2,000,000 shares authorized, 200,500 shares	
issued and outstanding	401,000
Series B - 8% cumulative, convertible, \$10.00 stated value,	
non-voting,	
400,000 shares authorized, no shares issued and	
outstanding	-
Series C - 7% cumulative, convertible, \$1.20 stated value, voting,	
600,000 shares authorized, no shares issued and	
outstanding	-
Common stock - \$.05 par value, 50,000,000 shares authorized:	
3,321,360 shares issued and outstanding	166,068
Additional paid-in capital	12,924,605
Accumulated (deficit)	<u>(11,575,494)</u>

1,916,179
\$ 5,057,484

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Casino	\$ <u>3,925,431</u>	\$ <u>3,144,877</u>
Expenses:		
Casino operations	2,979,263	2,537,693
Operating, general, and administrative	<u>405,221</u>	<u>153,711</u>
	<u>3,384,484</u>	<u>2,691,404</u>
Income from operations	<u>540,947</u>	<u>453,473</u>
Other income (expense):		
Interest expense	(440,585)	(201,298)
Gain on debt restructuring	<u>841,241</u>	<u>-</u>
	<u>400,656</u>	<u>(201,298)</u>
Income before provision for income taxes	941,603	252,175
Provision for income taxes	<u>-</u>	<u>-</u>
Net income	941,603	252,175
Preferred dividends	<u>(2,463)</u>	<u>(3,284)</u>
Net income attributable to common stockholders	\$ <u>939,140</u>	\$ <u>248,891</u>
Earnings per common share:		
Basic	\$ <u>0.31</u>	\$ <u>0.10</u>
Diluted	\$ <u>0.23</u>	\$ <u>0.10</u>
Weighted average shares outstanding:		
Basic	<u>3,062,249</u>	<u>2,431,360</u>
Diluted	<u>4,158,046</u>	<u>2,470,461</u>

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
July 1, 2003 through June 30, 2005

<u>SERIES A</u>	<u>SERIES C</u>	<u>COMMON</u>	
<u>PREFERRED STOCK</u>	<u>PREFERRED</u>	<u>STOCK</u>	Additional

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	Number of <u>Shares</u>	<u>STOCK</u>		Number of <u>Shares</u>	Number of <u>Shares</u>	<u>Amount</u>	<u>Amount</u>	Paid in Accumulated <u>Capital</u> (<u>Deficit</u>)	<u>Total</u>
		<u>Amount</u>	<u>Shares</u>						
Balance as of July 1, 2003	-	\$ -	39,101	46,921	2,431,360	\$121,568	\$2,250,105	(\$2,763,525)	\$ (344,931)
Dividends on Series C preferred stock	-	-	-	-	-	-	-	(3,284)	(3,284)
Net income	-	-	-	-	-	-	-	252,175	252,175
Balance as of June 30, 2004	-	-	39,101	46,921	2,431,360	121,568	2,250,105	(\$2,514,634)	(96,040)
Sale of common stock	-	-	-	-	-250,000	12,500	12,500	-	25,000
Convert accounts payable to common stock	-	-	-	-	-300,000	15,000	45,000	-	60,000
Convert debt to common stock	-	-	-	-	-110,000	5,500	99,000	-	104,500
Warrants and beneficial conversion on convertible debentures	-	-	-	-	-	-	-	-	-
Exercise of options and warrants	-	-	-	-	-230,000	11,500	18,000	-	29,500
Reclassify Series A preferred stock	200,500	401,000	-	-	-	-	-	-	401,000
Dividends on Series C preferred stock	-	-	-	-	-	-	-	(2,463)	(2,463)
Redeem Series C preferred stock	-	-	(39,101)	(46,921)	-	-	-	-	(46,921)
Net income	-	-	-	-	-	-	-	941,603	941,603

Balance as of								
June 30, 2005	<u>200,500</u>	<u>\$ 401,000</u>	<u>\$ -</u>	<u>3,321,360</u>	<u>\$ 166,068</u>	<u>82,924,605</u>	<u>(575,494)</u>	<u>\$1,916,179</u>

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ <u>941,603</u>	\$ <u>252,175</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	379,184	317,587
Amortization of debt discount	250,000	-
Gain on debt restructuring	(841,241)	-
Changes in assets and liabilities:		
Accrued gaming income	(18,848)	(34,447)
Inventories	3,321	6,711
Accounts payable	(16,085)	41,213
Accrued expenses	16,311	-
Accrued interest	39,337	71,275
Other	<u>8,223</u>	<u>10,299</u>
	<u>(179,798)</u>	<u>412,638</u>
Net cash provided by operating activities	<u>761,805</u>	<u>664,813</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	<u>(282,263)</u>	<u>(73,117)</u>
Net cash (used) by investing activities	<u>(282,263)</u>	<u>(73,117)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from convertible debentures	500,000	-
Principal payments on long-term debt	(759,374)	(418,764)
Redemption of Series C preferred stock	(46,921)	-
Proceeds from sale of common stock	25,000	-
Exercise of warrants and options	<u>29,500</u>	<u>-</u>
Net cash (used) by financing activities	<u>(251,795)</u>	<u>(418,764)</u>
Net increase in cash	227,747	172,932
Cash at beginning of period	<u>689,461</u>	<u>516,529</u>
Cash at end of period	\$ <u>917,208</u>	\$ <u>689,461</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ <u>154,059</u>	\$ <u>130,023</u>

Cash paid for income taxes	\$ _____	\$ _____
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**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES:**

Extinguishment of debt	\$ 706,661	\$ _____
Equipment acquired via vendor financing arrangements	\$ 378,107	\$ 259,041
Notes payable and accrued interest converted into common stock	\$ 213,390	\$ _____
Accounts payable converted into common stock	\$ 60,000	\$ _____
Accrued and unpaid dividends on preferred stock	\$ _____	\$ 3,284

See accompanying notes to the consolidated financial statements.

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GLOBAL CASINOS, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Consolidation

Global Casinos, Inc. (the "Company or "Global"), a Utah corporation, develops and operates gaming casinos. The consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Operations

As of June 30, 2005, it had one operating subsidiary, as follows:

CASINOS USA, INC. ("Casinos USA"), a Colorado corporation, which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district in Black Hawk, Colorado.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the value of long-lived assets, the long-term viability of the business, the future impact of gaming regulations, and future obligations under various tax statutes. Actual results may differ from estimates.

Risk Considerations

We operate in a highly regulated environment subject to the political process. Our retail gaming license is subject to annual renewal by the Colorado Division of Gaming. Changes to existing statutes and regulations could have a negative effect on our operations.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company's financial instruments include cash, accrued gaming income, accounts payable, accrued expenses, other current liabilities and long-term debt. Except for long-term debt, the carrying value of financial instruments approximated fair value due to their short maturities.

The carrying value of long-term debt approximated fair value because stated interest rates on these instruments are similar to quoted rates for instruments with similar risks.

Cash and Cash Equivalents

Cash consists of demand deposits and vault cash used in casino operations. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2005, the Company had deposits in excess of the Federal Deposit Insurance Corporation limit of \$100,000 at one financial institution. The balance in the Company accounts totaled \$443,339.

Inventories

Inventories primarily consist of food and beverage supplies and are stated at the lower of cost or market. Cost is determined by the specific-cost method.

Land, Building and Improvements, and Equipment

Land, building and improvements, and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives. The building is depreciated over 31 years, and improvements and equipment are depreciated over five to seven years.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be

recognized is determined as the amount by which the carrying value exceeds the fair value of the assets. The reported amount for assets to be disposed represent the lower of either the carrying value or the estimated fair value less the cost to sell.

Debt with Detachable Warrants and/or Beneficial Conversion Feature

We account for the issuance of detachable stock purchase warrants in accordance with Accounting Principles Board Opinion 14 ("APB 14"), whereby we separately measure the fair value of the debt and the detachable warrants and allocate the proceeds from the debt on a pro-rata basis to each. The resulting discount from the fair value of the debt allocated to the warrants, which is accounted for as paid-in capital, is amortized over the estimated life of the debt.

In accordance with the provisions of Emerging Issues Task Force Issue 98-5 and EITF 00-27, we allocate a portion of the proceeds received to any embedded beneficial conversion feature, based on the difference between the effective conversion price of the proceeds allocated to the convertible debt and the fair value of the underlying common stock on the date the debt is issued. In the event the convertible debt also had detachable stock purchase warrants, we first allocate proceeds to the stock purchase warrants and the debt and then allocate the resulting debt proceeds between the beneficial conversion feature, which is accounted for as paid-in capital, and the initial carrying amount of the debt. The discount resulting from the beneficial conversion feature is amortized over the estimated life of the debt.

Revenue Recognition

In accordance with industry practice, the Company recognizes as casino revenues the net win from gaming activities, which is the difference between gaming wins and losses.

Advertising Costs

The Company expenses all advertising costs as they are incurred. Advertising costs were \$2,721 and \$14,104 for the years ended June 30, 2005 and 2004, respectively.

Income Taxes

The Company uses the liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates resulting from new legislation is recognized in income in the period of enactment. A valuation allowance is established against deferred tax assets when management concludes that the "more likely than not" realization criteria has not been met.

Earnings (Loss) Per Common Share

Earnings (or loss) per share ("EPS") are calculated in accordance with the provisions of SFAS No. 128, *Earnings Per Share*. SFAS No. 128 requires the Company to report both basic earnings per share, which is based on the

weighted-average number of common shares outstanding, and diluted earnings per share, which is based on the weighted-average number of common shares outstanding plus all dilutive potential common shares outstanding, except where the effect of their inclusion would be anti-dilutive.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation*. The provisions of SFAS No. 123 allow companies to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion 25, *Accounting for Stock Issued to Employees* ("APB 25"), but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to measure compensation costs for stock-based compensation as prescribed by APB 25 in accounting for its stock option incentive plans.

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income*, established standards for reporting and display of comprehensive income, its components and accumulated balances. For the years ended June 30, 2005 and 2004, there were no differences between reported net income and comprehensive income.

Derivative Instruments and Hedging Activities

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, established requirements for disclosure of derivative instruments and hedging activities. During the periods covered by the financial statements the Company did not have any derivative financial instruments and did not participate in hedging activities.

Segment Information

The Company currently operates in one business segment as determined in accordance with SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*. The determination of reportable segments is based on the way management organizes financial information for making operating decisions and assessing performance. All operations are located in the United States of America.

Recent Pronouncements

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation Number 46-R "Consolidation of Variable Interest Entities." FIN 46-R, which modifies certain provisions and effective dates of FIN 46, sets for the criteria to be used in determining whether an investment in a variable interest entity should be consolidated. These provisions are based on the general premise that if a company controls another entity through interests other than voting interests, that company should consolidate the controlled entity. The Company believes that currently, it does not have any material arrangements that meet the definition of a variable interest entity which would require consolidation.

In November 2004, the FASB issued SFAS 151, "Inventory Costs." SFAS 151 amends the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) under the guidance in ARB 43, Chapter 4, "Inventory Pricing." Paragraph 5 of ARB 43, Chapter 4, previously stated "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges...." This Statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect adoption of SFAS 151 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS 152, "Accounting for Real Estate Time-Sharing Transactions." The FASB issued this Statement as a result of the guidance provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions." SOP 04-2 applies to all real estate time-sharing transactions. Among other items, the SOP provides guidance on the recording of credit losses and the treatment of selling costs, but does not change the revenue recognition guidance in SFAS 66, "Accounting for Sales of Real Estate," for real estate time-sharing transactions. SFAS 152 amends Statement 66 to reference the guidance provided in SOP 04-2. SFAS 152 also amends SFAS 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects", to state that SOP 04-2 provides the relevant guidance on accounting for incidental operations and costs related to the sale of real estate time-sharing transactions. SFAS 152 is effective for years beginning after June 15, 2005, with restatements of previously issued financial statements prohibited. Management does not expect adoption of SFAS 152 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS 153, "Exchanges of Nonmonetary Assets," an amendment to Opinion No. 29, "Accounting for Nonmonetary Transactions." Statement 153 eliminates certain differences in the guidance in Opinion No. 29 as compared to the guidance contained in standards issued by the International Accounting Standards Board. The amendment to Opinion No. 29 eliminates the fair value exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. Such an exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in periods beginning after December 16, 2004. Management does not expect adoption of SFAS 153 to have a material impact on the Company's financial statements.

In December 2004, the FASB issued SFAS 123(R), "Share-Based Payment." SFAS 123(R) amends SFAS 123, "Accounting for Stock-Based Compensation," and APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS 123(R) requires that the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. SFAS 123(R) applies to all share-based payment transactions in which an entity acquires goods or services by issuing (or offering to issue) its shares, share options, or other equity instruments (except for those held by an ESOP) or by incurring liabilities (1) in amounts based (even in part) on the price of the entity's shares or other equity instruments, or (2) that require (or may require) settlement by the issuance of an entity's shares or other equity instruments. This statement is effective (1) for public companies qualifying as SEC small business issuers, as of the first interim period or fiscal year beginning after December 15, 2005, or (2) for all other public companies, as of the first interim period or fiscal year beginning after June 15, 2005, or (3) for all nonpublic entities, as of the first fiscal year beginning after December 15, 2005. Management is currently assessing the effect of SFAS No. 123(R) on the Company's financial statements.

2. ONSOURCE CORPORATION DIVIDEND

OnSource Corporation ("OnSource"), a Delaware corporation, was organized by Global as a wholly owned subsidiary. The Company formed OnSource to effect a spin-off of its Alaska operations. Global transferred its ownership of the Alaskan operations to OnSource effective July 1, 2001. Global declared a stock dividend under which Global shareholders received their pro-rata share of OnSource common stock.

Global established August 6, 2001 as the record date for determining the shareholders entitled to receive the stock dividend. Global stockholders received one share of OnSource common stock for every ten shares of Global common stock beneficially owned as of August 6, 2001. The OnSource Shares were distributed to Global's shareholders during fiscal year 2004.

3. GAIN FROM DEBT RESTRUCTURING

During the year ended June 30, 2005 the Company continued efforts to resolve old outstanding obligations and extinguished principal of \$307,973 (plus accrued and unpaid interest of \$398,688) that became unenforceable obligations because the statute of limitations had expired. The Company also converted certain notes payable into equity by issuing 110,000 shares of common stock to creditors in exchange for outstanding principal of \$110,000 and accrued interest of \$103,390. The common stock had a market value of \$104,500, resulting in a gain of \$108,890. In connection with the early retirement of certain mortgage debts, the Company agreed to discounted cash payments of \$43,010 for mortgages with a remaining balance of \$68,700, resulting in a gain of \$25,690.

4. NOTES PAYABLE AND LONG-TERM DEBT

At June 30, 2005, notes payable and long-term debt consisted of the following:

Convertible Debentures bearing interest at 12%, convertible into common stock at a rate of \$0.50 per share, payable in quarterly installments of \$55,000, final payment due December 31, 2007	500,000
Senior mortgages payable to an investment company, collateralized by real estate, interest at 7%, monthly payments of \$6,768 through September 2009. Final payment of \$943,000.	998,769
Junior mortgages payable to private lenders, collateralized by real estate, interest at 4%, monthly payments of \$5,111 through September 2009. Final payment of \$956,000.	1,015,059
Various installment notes payable to equipment suppliers, bearing interest at various rates from 0% to 12%, due in monthly installments aggregating \$30,393, due at various times during 2006.	<u>297,199</u>
Total Notes payable and long-term debt	2,811,027
Less current portion	(329,986)
Less debt discount, net of amortization of \$250,000	<u>(250,000)</u>
Long-term debt, net	<u>\$2,231,041</u>

Scheduled maturities of notes payable and long-term debt for the years ending June 30 are as follows:

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2006	\$ 329,986
2007	34,490
2008	536,289
2009	38,777
2010	<u>1,871,485</u>
Total	<u>\$ 2,811,027</u>

Effective January 3, 2005 the Company finalized the private placement of convertible debentures that bear interest at 12% and mature on December 31, 2007. The debentures were sold at face value for gross proceeds of \$500,000 and are secured by a pledge of 100% of our shares of Casinos USA. The debentures are convertible into common stock at a conversion rate of \$0.50 per share. Holders of the debentures also received warrants to purchase 500,000 shares of common stock at an exercise price of \$0.15 per share. Subsequent to June 30, 2005, all holders of the debentures have agreed that the entire principal amount of the debentures will automatically convert into shares of common stock on December 31, 2005.

The warrants were valued using the Black Scholes option pricing model based on the market price of the common stock at the commitment date. The warrant valuation of \$237,000 has been allocated to additional paid in capital. After allocating value to the warrants, we used the intrinsic value method to determine that all of the remaining proceeds should be allocated to the embedded beneficial conversion feature. As such, \$263,000 was credited to additional paid in capital. The total allocation of \$500,000 will be amortized over 12 months to coincide with the term of the conversion feature. Amortization expense during fiscal year 2005 was \$250,000.

Proceeds from the debentures offering were used to retire certain debt owed to our senior creditor ("Astraea") and to redeem an option held by Astraea. The outstanding principal plus accrued interest under this portion of the Astraea debt aggregated \$442,488. The option allowed Astraea to purchase all of the common stock of Casinos USA (including the Bull Durham assets and operations) for a purchase price of \$100. The arrangement with Astraea required the Company to retire the outstanding principal, plus accrued interest, plus pay an option redemption fee of \$82,012.

During the year ended June 30, 2005, the Company entered into installment note agreements with four equipment suppliers for the acquisition of gaming equipment having an aggregate purchase price of \$378,107. The notes bear interest at rates ranging from 0% to 12% and have terms ranging from six months to twelve months. The equipment suppliers retain a security interest in the gaming equipment until the notes are paid in full. At June 30, 2005, these notes had an outstanding balance of \$297,199.

5. STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized 10,000,000 shares of preferred stock. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors.

Series A Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 2,000,000 shares of \$2.00 stated value, Series A Preferred Stock. The preferred stock has a senior liquidation preference value of \$2.00 per share. It does not bear dividends. The conversion privileges originally included with the stock have expired. The preferred stock originally contained a mandatory redemption feature that required the Company to redeem the outstanding stock on May 31, 1995 at a rate of \$2.00 per share. On May 31, 1995, a majority of the preferred stockholders agreed to waive the mandatory

redemption in consideration for a lower conversion price into common shares at \$1.125 per share. Subsequently, holders of 1,205,750 shares of Series A preferred stock converted their holdings into common stock. The remaining 200,500 outstanding shares of Series A preferred stock are held by owners who chose not to participate in the revised offer. During the year ended June 30, 2005, the Company determined that the mandatory redemption feature expired due to the statute of limitations. Accordingly, the Series A preferred stock has been reclassified from current liabilities to stockholders' equity.

Series B Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 400,000 shares of \$10.00 stated value, Series B Convertible Preferred Stock. Each share of Series B preferred stock is convertible into one share of the Company's common stock or may be redeemed at an exercise price of \$10.00 per share. In addition, the Series B shares have a junior liquidation preference of \$10.00 per share. Holders of the Series B preferred stocks are entitled to receive an annual dividend payable at the rate of 8% per annum, which is cumulative, and unpaid dividends bear interest at an annual rate of 12%. As of June 30, 2005, there were no shares outstanding.

Series C Convertible Preferred Stock

In January 1999, the Board of Directors of the Company ratified the issuance of Series C preferred stock. The Company has authorized 600,000 Series C shares with a stated value of \$1.20 per share. Series C shares are convertible into common stock at a rate of \$1.20 per share. Holders of Series C preferred stock are entitled to vote and to receive dividends at the annual rate of 7% based on the stated value per share. In addition, the holders of Series C preferred stock are entitled to participate, pro rata, in dividends paid on outstanding shares of common stock. The dividends are cumulative and unpaid dividends bear interest at an annual rate of 10%.

Effective April 30, 2005, the remaining 39,101 Series C preferred shares outstanding were redeemed by the Company for a cash payment of \$74,626, including accrued dividends and interest thereon.

Common Stock

The Company has authorized 50,000,000 shares of \$0.05 par value common stock.

In August 2004, the Company issued 300,000 shares of common stock to two directors and an affiliate in exchange for \$60,000 in outstanding accrued and unpaid fees. The exchange ratio was based on a price of \$0.20 per common shares. The quoted market value of the common stock on the exchange date was \$0.10. The shares were taken for investment purposes and were subject to restrictions on transfer. The shares were issued without registration under the Securities Act of 1933, as Amended, in reliance upon the exemption from registration requirements thereof contained in Section 4(2) thereunder,

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In September 2004, the Company sold to three investors an aggregate of 250,000 units at a price of \$0.10 per unit. Each unit consisted of one share of common stock and one warrant exercisable for a period of 15 months to purchase one additional share of common stock at an exercise price of \$0.15. The securities were taken for investment purposes and were subject to restrictions on transfer. The securities were issued without registration under the Securities Act of 1933, as amended, in reliance upon the exemption from registration requirements thereof contained in Section 4(2) and Regulation D, Rule 504 thereunder.

During the year ended June 30, 2005, the Company issued 230,000 shares of common stock pursuant to the exercise of warrants and options for cash proceeds of \$29,500.

Warrants To Purchase Common Stock

In October 1996, in connection with a private placement of convertible debt, the Company issued 126,050 Class E Warrants, exercisable at \$6.00 per share; 126,050 Class F Warrants, exercisable at \$7.00 per share; and 126,050 Class G Warrants, exercisable at \$8.00 per share. These warrants expired during the year ended June 30, 2005.

6. COMMITMENTS AND CONTINGENCIES

Leases

The Company leases approximately 4,200 square feet of space used as its corporate offices. The lease requires monthly payments of approximately \$3,500 and terminates in July of 2006. A portion of the space is subleased to other companies for monthly rental income of approximately \$2,500.

Minimum lease payments for future fiscal years are as follows:

2006	\$42,000
2007	<u>3,500</u>
Total	<u>\$45,500</u>

Net rent expense after giving effect to sublease income received, was approximately \$12,000 for the years ended June 30, 2005 and June 30, 2004.

Securities and Exchange Commission

On September 24, 1998, the Company and a former director entered into a voluntary consent decree with the Securities and Exchange Commission, pursuant to which an administrative order was entered by the Commission directing the Company and the former director to cease and desist from anti-fraud violations of the federal securities laws in the future.

On June 1, 1998, the Commission brought an administrative proceeding against a related party and certain of its directors, alleging certain violations of federal securities laws. Two of the individuals were also directors of the Company, who subsequently resigned as directors of Global. The matters at issue in the administrative proceeding do not involve the Company and management does not believe that it will have a material adverse effect. Nevertheless, the proceeding involves two of the Company's prior directors and the ultimate outcome of this matter is uncertain.

Michael Jacobs vs. Global Casinos, Inc.

This matter was filed as a civil action, which has been stayed pending mandatory arbitration. Mr. Jacobs was a former employee of the Company in Dallas, Texas and is asserting claims for compensation for services rendered while under the supervision of William P. Martindale at the Company's then existing Dallas, Texas office. The Company has retained local legal counsel and is vigorously defending the matter. The Company believes that the likelihood of a material adverse outcome in this matter is remote.

Harry Schmidt

On February 28, 2005, Harry Schmidt filed a civil suit against Global Casinos, Inc. demanding payment in excess of \$59,000 related to two promissory notes that originated in 1996. The Company has retained legal counsel and is vigorously defending the matter. The Company cannot determine the likely outcome of this litigation.

7. INCOME TAXES

The Company and its subsidiaries are subject to income taxes on income arising in, or derived from, the tax jurisdictions in which they operate.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are comprised mainly of net operating loss carry-forwards.

The reconciliation between the statutory federal tax rate and the effective tax rate as a percentage is as follows:

	<u>2005</u>	<u>2004</u>
Statutory federal income tax rate	34%	34%
Effect of net operating loss carry-forward	<u>(34)</u>	<u>(34)</u>
	<u>-%</u>	<u>-%</u>

At June 30, 2005, the Company had net operating loss carry forwards of approximately \$6,598,000 available to reduce future taxable income. The net operating loss carry forwards expire in the years ending June 30 as follows:

2009	\$ 705,000
2010	1,217,000
2011	518,000
2012	790,000
2013	1,985,000

2014	316,000
2015	985,000
2016	—
	82,000
	<u>\$6,598,000</u>

When more than a 50% change in ownership occurs, over a three-year period, as defined, the Tax Reform Act of 1986 limits the utilization of net operating loss (NOL) carry forwards in the years following the change in ownership. Therefore, the Company's utilization of its NOL carry forwards may be partially reduced as a result of changes in stock ownership. No determination has been made as of June 30, 2005, as to what implications, if any, there will be in the net operating loss carry forwards of the Company. The deferred tax asset of approximately \$2,300,000 related to the operating loss carry-forward has been fully reserved at June 30, 2005.

8. STOCK INCENTIVE PLAN

The Company has a Stock Incentive Plan (the "Incentive Plan"), that allows the Company to grant incentive stock options and/or purchase rights (collectively "Rights") to officers, employees, former employees and consultants of the Company and its subsidiaries. The options expire five years from the date of grant.

SFAS 123 requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS 123. The fair value of the option grants is estimated on the date of grant utilizing the Black-Scholes option pricing model with the following weighted average assumptions for grants during the year ended June 30, 2005: expected life of options of 4 years, expected volatility of 168%, risk-free interest rate of 4% and no dividend yield. The weighted average fair value at the date of grant for options granted during the year ended June 30, 2005 approximated \$0.09 per option. No options were granted during the year ended June 30, 2004.

A summary of stock option activity is as follows:

	Number of <u>shares</u>	Weighted average exercise <u>price</u>	Weighted average fair <u>value</u>
Balance at June 30, 2003	150,000	\$ 0.13	
Granted	-0-		
Balance at June 30, 2004	150,000	\$ 0.13	
Granted	200,000	\$ 0.10	\$ 0.09
Exercised	<u>(50,000)</u>	\$ 0.13	
Balance at June 30, 2005	<u>300,000</u>	\$ 0.11	

The following table summarizes information about fixed-price stock options at June 30, 2005:

	<u>Outstanding</u>		
Weighted Average	Weighted Average	Weighted- Average	<u>Exercisable</u>

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<u>Exercise Prices</u>	<u>Number Outstanding</u>	<u>Contractual Life</u>	<u>Exercise Price</u>	<u>Number Exercisable</u>	<u>Exercise Price</u>
\$0.13 - \$0.15	100,000	5 years	\$0.14	100,000	\$0.14
\$0.10	<u>200,000</u>	5 years	\$0.10	<u>200,000</u>	\$0.10
	<u>300,000</u>			<u>300,000</u>	

The following pro forma net income and earnings per share for 2005 and 2004 would result had the Company's compensation cost been determined using the fair value based accounting provisions of SFAS No. 123:

	<u>2005</u>	<u>2004</u>
Net Income reported	\$941,603	\$252,175
Net Income pro forma	\$922,897	\$252,175
Basic earnings per share reported	\$0.31	\$0.10
Basic earnings per share pro forma	\$0.30	\$0.10
Diluted earnings per share reported	\$0.23	\$0.10
Diluted earnings per share pro forma	\$0.22	\$0.10

9. 401(k) SAVING AND PROFIT SHARING PLAN

On July 1, 1997, the Company started a Retirement Savings and Investment Plan (the "401(k) Plan") for its employees that is intended to qualify under Section 401(k) of the Internal Revenue Code. Qualified employees may participate in the Company's 401(k) Plan by contributing up to 10% of their gross earnings to the plan, subject to certain Internal Revenue Code restrictions. The Company matches an amount equal to 100% of each participant's contribution up to a maximum of 5% of their earnings. Company contributions for the years ended June 30, 2005 and 2004, were \$27,098 and \$2,006, respectively.

10. RELATED PARTY TRANSACTIONS

An officer and director provides certain management, accounting, and administrative services to the Company. During the years ended June 30, 2005 and 2004, his billings to the Company totaled \$53,113 and \$36,892 respectively.

A director operates a law firm that provides legal services to the Company. During the years ended June 30, 2005 and 2004, his billings to the Company totaled \$69,420 and \$18,485 respectively.

An affiliated company provides management, clerical and administrative services to the Company. During fiscal years 2005 and 2004, the Company recorded fees in the aggregate amount of \$48,000.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 8A. CONTROLS AND PROCEDURES

Frank L. Jennings, Principal Executive and Financial Officer of Global Casinos, Inc., has established and is currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to ensure that material information relating to the Company is made known to him as soon as it is known by others within the Company.

Our Principal Executive and Financial Officer conducts an update and a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and has concluded, based on his evaluation within 90 days of the filing of this Report, that our disclosure controls and procedures are effective for gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities Exchange Act of 1934. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the previously mentioned evaluation.

ITEM 8B. OTHER INFORMATION

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;
COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Directors and Executive Officers

The name, position with the Company, age of each Director and executive officer of the Company is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director/Officer Since</u>
Frank L. Jennings	54	Chief Executive/Financial Officer & Director	2001
Clifford L. Neuman	57	Director	1997
Frank L. Jennings			

has served as President and Chief Financial Officer since 2001. He previously served as Vice President and Chief Financial Officer for American Educational Products from 1994 to 2001. Mr. Jennings also served as President and a director of The Family Extension, Inc., a Colorado non-profit corporation. He received his BA degree in Economics from Austin College and his MBA in Finance from Indiana University.

Clifford L. Neuman

has served as a Director of the Company since 1997 and has been reelected annually. Mr. Neuman is a licensed, practicing attorney and a partner in the law firm of Clifford L. Neuman, P.C., with offices located in Boulder and Denver, Colorado. Mr. Neuman received his Bachelor of Arts degree from Trinity College in 1970 and his Jurist Doctorate degree from the University of Pennsylvania School of Law in 1973.

All directors serve until their successors have been duly elected and qualified and are subject to reelection at the Company's regular Annual Meeting of Shareholders, unless they earlier resign.

Board Meeting and Compensation

During the fiscal year ended June 30, 2005 meetings of the Board of Directors were held both in person and telephonically, and business of the board was also conducted by written unanimous consent. All Board members attended 100% of the Board meetings. Directors are entitled to reimbursement of their expenses associated with attendance at such meeting or otherwise incurred in connection with the discharge of their duties as a Director. The Board of Directors has adopted a compensation plan for outside directors beginning fiscal year 2000 pursuant to which such persons are entitled to a fee of \$1,000 per meeting attended and to receive, for each year of service, non-qualified stock options exercisable to purchase 10,000 shares of the Company's Common Stock. The exercise price of the options is the closing bid price of the Company's Common Stock on the date of grant, and the options are exercisable for a period of five (5) years. No compensation was paid or granted during fiscal 2005 or 2004. Directors who are also executive officers of the Company receive no additional compensation for their services as directors.

During fiscal 2005 the entire Board of Directors assumed all responsibilities of the Audit, Compensation and Nominating Committees. The board had no formal standing committees, but plans to create those committees during fiscal 2006. No member of the Audit, Compensation or Nominating Committees will receive any additional compensation for his service as a member of that Committee.

Audit Committee

The composition of the audit committee has not been determined.

Messrs. Jennings and Neuman would not be deemed to be "independent" within the meaning of the National Association of Securities Dealers, Inc.'s listing standards. For this purpose, an audit committee member is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

During the fiscal year ended June 30, 2005, the audit committee had no meetings. The committee is responsible for accounting and internal control matters. The audit committee:

- reviews with management, the internal auditors and the independent auditors policies and procedures with respect to internal controls;
- reviews significant accounting matters;
- approves any significant changes in accounting principles of financial reporting practices;
- reviews independent auditor services; and
- recommends to the board of directors the firm of independent auditors to audit our consolidated financial statements.

In addition to its regular activities, the committee is available to meet with the independent accountants, controller or internal auditor whenever a special situation arises.

The Audit Committee of the Board of Directors will adopt a written charter, which when adopted will be filed with the Commission.

Compensation Advisory Committee

The composition of the compensation advisory committee has not been determined.

The compensation advisory committee did not meet during fiscal 2005. The compensation advisory committee:

- recommends to the board of directors the compensation and cash bonus opportunities based on the achievement of objectives set by the compensation advisory committee with respect to our chairman of the board and president, our chief executive officer and the other executive officers;
- administers our compensation plans for the same executives;
- determines equity compensation for all employees;
- reviews and approves the cash compensation and bonus objectives for the executive officers; and
- reviews various matters relating to employee compensation and benefits.

Nomination Process

The Board of Directors has not appointed a standing nomination committee and does not intend to do so during the current year. The process of determining director nominees has been addressed by the board as a whole, which consists of four members. The board has not adopted a charter to govern the director nomination process.

Of the currently serving two directors, Messrs. Jennings and Neuman would not be deemed to be independent within the meaning of the National Association of Securities Dealers, Inc.'s listing standards. For this purpose, a director is deemed to be independent if he does not possess any vested interests related to those of management and does not have any financial, family or other material personal ties to management.

The board of directors has not adopted a policy with regard to the consideration of any director candidates recommended by security holders, since to date the board has not received from any security holder a director nominee recommendation. The board of directors will consider candidates recommended by security holders in the future. Security holders wishing to recommend a director nominee for consideration should contact Mr. Frank L. Jennings, President and Chief Financial Officer, at the Company's principal executive offices located in Boulder, Colorado and provide to Mr. Jennings, in writing, the recommended director nominee's professional resume covering all activities during the past five years, the information required by Item 401 of Regulation SB, and a statement of the reasons why the security holder is making the recommendation. Such recommendation must be received by the Company before June 30, 2006.

The board of directors believes that any director nominee must possess significant experience in business and/or financial matters as well as a particular interest in the Company's activities.

All director nominees identified in this proxy statement were recommended by our President and Chief Financial Officer and unanimously approved by the board of directors.

Shareholder Communications

Any shareholder of the Company wishing to communicate to the board of directors may do so by sending written communication to the board of directors to the attention of Mr. Frank L. Jennings, President and Chief Financial Officer, at the principal executive offices of the Company. The board of directors will consider any such written communication at its next regularly scheduled meeting.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on

an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Code of Ethics

Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees during the fiscal year ended June 30, 2005. We will provide to any person without charge, upon request, a copy of our Code of Business Conduct and Ethics. Such request should be made in writing and addressed to Investor Relations, Global Casinos, Inc. 5455 Spine Road, Suite C, Boulder, Colorado 80301. Further, our Code of Business Conduct and Ethics is being filed herewith as an exhibit to this Annual Report on Form 10-KSB.

No family relationship exists between any director and executive officer.

In 1998, the Securities and Exchange Commission (the "Commission") commenced an administrative proceeding against The Rockies Fund, Inc. and its directors, Stephen G. Calandrella, Clifford C. Thygesen and Charles Powell. Until 2001, Messrs. Calandrella and Thygesen were also directors of the Company. In the administrative action, the Commission has alleged certain violations of federal securities laws and regulations by The Rockies Fund, Inc. and its directors. The allegations involve certain violations of the Investment Company Act of 1940, as amended, under which The Rockies Fund, Inc. is a regulated business development company, as well as violations of the Securities Exchange Act of 1934, as amended, and regulations thereunder arising from certain transactions in the securities of another company unrelated to the Company. The Rockies Fund, Inc. and its directors have adamantly denied any violations of federal securities laws and have informed the Company that they intend to vigorously defend the matter. In November 1998, the matter went to hearing before an administrative law judge and a preliminary finding was issued in March 2001. In its Initial Decision, the Administrative Law Judge found that the Rockies Fund and its directors, including Messrs. Calandrella and Thygesen, had violated federal securities laws. The matter is presently on appeal. While there can be no assurance of the ultimate outcome of this matter or its potential effect upon the Company, Management does not believe that it will have an adverse material impact.

In response to this administrative proceeding and the initial decision of the Administrative Law Judge, Messrs. Calandrella and Thygesen resigned as officers and directors of the Company. In addition, the restructuring of our gaming operations, the transfer of our gaming license from Global Casinos to Casinos, U.S.A. and other matters addressed in the Astraea Term Sheet were undertaken, in part, at the request of the Division of Gaming in response to the results of this administrative proceeding. Furthermore, the Division of Gaming requested that Messrs. Jennings and Neuman, while not involved in the administrative proceeding, resign as officers and directors of Casinos, U.S.A. due to their prior affiliations with Messrs. Calandrella and Thygesen. Effective November 1, 2002, concurrently with the transfer of the gaming license to Casinos, U.S.A., Messrs. Jennings and Neuman resigned as officers and directors of Casinos, U.S.A. and were replaced by Barbara Fahey and Pete Bloomquist, persons unaffiliated with prior management of the Company.

Other than the foregoing, there are no material proceedings to which any director, officer or affiliate of the Company, any owner of record or beneficially of more than five percent (5%) of any class of voting securities of the Company, or any associate of any such director, officer, affiliate of the Company, or security holder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

Except as noted herein or below, during the last five- (5) years no director or officer of the Company has:

(1) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) been convicted in a criminal proceeding or subject to a pending criminal proceeding;

(3) been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or

(4) been found by a court of competent jurisdiction in a civil action, the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Any transactions between the Company and its officers, directors, principal shareholders, or other affiliates have been and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties on an arms-length basis and will be approved by a majority of the Company's independent, outside disinterested directors.

Indemnification and Limitation on Liability of Directors

The Company's Articles of Incorporation provide that the Company shall indemnify, to the fullest extent permitted by Utah law, any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceeding if certain standards are met. At present, there is no pending litigation or proceeding involving any director, officer, employee or agent of the Company where indemnification will be required or permitted. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

The Company's Articles of Incorporation limit the liability of its directors to the fullest extent permitted by the Utah Business Corporation Act. Specifically, directors of the Company will not be personally liable for monetary damages for breach of fiduciary duty as directors, except for (i) any breach of the duty of loyalty to the Company or its stockholders, (ii) acts or omissions not in good faith or that involved intentional misconduct or a knowing violation of law, (iii) dividends or other distributions of corporate assets that are in contravention of certain statutory or contractual restrictions, (iv) violations of certain laws, or (v) any transaction from which the director derives an improper personal benefit. Liability under federal securities law is not limited by the Articles. The officers of the Company will dedicate sufficient time to fulfill their fiduciary obligations to the Company's affairs. The Company has no retirement, pension

or profit sharing plans for its officers and Directors.

Compliance with Section 16(a) of the Exchange Act

Under the Securities Laws of the United States, the Company's Directors, its Executive (and certain other) Officers, and any persons holding more than ten percent (10%) of the Company's common stock are required to report their ownership of the Company's common stock and any changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to report in this report any failure to file by these dates. All of these filing requirements were satisfied by its Officers, Directors, and ten- percent holders. In making these statements, the Company has relied on the written representation of its Directors and Officers or copies of the reports that they have filed with the Commission.

ITEM 10.

EXECUTIVE COMPENSATION

The following tables and discussion set forth information with respect to all plan and non-plan compensation awarded to, earned by or paid to the Chief Executive Officer ("CEO"), and the Company's four (4) most highly compensated executive officers other than the CEO, for all services rendered in all capacities to the Company and its subsidiaries for each of the Company's last three (3) completed fiscal years; provided, however, that no disclosure has been made for any executive officer, other than the CEO, whose total annual salary and bonus does not exceed \$100,000.

TABLE 1				
SUMMARY COMPENSATION TABLE				
Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation
		Salary(\$)	Other Annual Compensation (\$)	Options SARs (#)
Frank L Jennings, President & Chief Financial Officer	2005	\$53,113	\$-0-	-0-
	2004	\$36,892	\$-0-	-0-

- No executive officer received perquisites and other personal benefits, which, in the aggregate, exceeded the lesser of either \$50,000 or 10% of the total of annual salary and bonus paid during the respective fiscal years.

Company Stock Incentive Plans

In 1993, the Board of Directors and the Shareholders of the Company adopted the Global Casinos, Inc., Stock Incentive Plan (the "Incentive Plan"). The Incentive Plan allows the Company to grant incentive stock options non-qualified stock options and/or stock purchase rights (collectively "Rights") to officers, employees, former employees and consultants of the Company and its subsidiaries. Options granted to eligible participants may take the form of Incentive Stock Options ("ISO's") under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or options which do not qualify as ISO's ("Non-Qualified Stock Options" or "NQSO's"). As required by Section 422 of the Code, the aggregate fair market value (as defined by the Incentive Plan) of the Company's

Common Stock (determined as of the date of grant of ISO) with respect to which ISO's granted to an employee are exercisable for the first time in any calendar year may not exceed \$100,000. The foregoing limitation does not apply to NQSO's. Rights to purchase shares of the Company's Common Stock may also be offered under the Incentive Plan at a purchase price under terms determined by the Incentive Plan Administrator.

Either the Board of Directors (provided that a majority of Directors are "disinterested" can administer the Incentive Plan, or the Board of Directors may designate a committee comprised of Directors meeting certain requirements to administer the Incentive Plan. The Administrator will decide when and to whom to make grants, the number of shares to be covered by the grants, the vesting schedule, the type of awards and the terms and provisions relating to the exercise of the awards.

An aggregate of 100,000 shares of the Company's Common Stock is reserved for issuance under the Incentive Plan. As of June 30, 2005, options to purchase 100,000 shares of Common Stock were issued and outstanding with a weighted average exercise price of \$0.14 per share. No shares were available for future option grants.

The following table sets forth certain information concerning the granting of incentive stock options during the last completed fiscal year to each of the named executive officers and the terms of such options:

<u>TABLE 2</u> <u>Option/SAR Grants in the Last Fiscal Year</u> <u>Individual Grants</u>				
Name	Number of Securities Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Frank L. Jennings	-100,000-	50%	\$0.10	8/19/2009

The following table sets forth certain information concerning the exercise of incentive stock options during the last completed fiscal year by each of the named executive officers and the fiscal year-end value of unexercised options on an aggregated basis:

<u>TABLE 3</u> <u>Aggregated Option/SAR Exercises in Last Fiscal Year</u> <u>and FY-End Option/SAR Values</u>				
Name	Shares Acquired on Exercise (#)	Value Realized ⁽¹⁾ (\$)	Number of Unexercised Options/SARs at FY-End (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options/SARs at FY-End (\$) ⁽²⁾ Exercisable/Unexercisable
Frank L. Jennings	-0-	-0-	150,000/-0-	\$137,000/-0-

- (1) Value Realized is determined by calculating the difference between the aggregate exercise price of the options and the aggregate fair market value of the Common Stock on the date the options are exercised.
- (2) The value of unexercised options is determined by calculating the difference between the fair market value of the securities underlying the options at fiscal year end and the exercise price of the options.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of September 30, 2005 and as adjusted for the sale of option and warrant stock, the stock ownership of (i) each person known by the Company to be the beneficial owner of five (5%) percent or more of the Company's Common Stock, (ii) all Directors individually, (iii) all Officers individually, and (iv) all Directors and Officers as a group. Each person has sole voting and investment power with respect to the shares shown, except as noted.

Title Of Class	Name & Address of Beneficial Owner	Shares Beneficially Owned	
		Number	Percent ⁽¹⁾
Common Stock	Clifford L. Neuman 1507 Pine Street Boulder, Colorado 80302	490,000 (2)	14.7%
	Frank L. Jennings 5455 Spine Road, Suite C Boulder, CO 80301	350,000 (3)	10.1%
	All Officers and Directors as a Group (2 Persons)	840,000	23.9%

- (1) Shares not outstanding but beneficially owned by virtue of the individuals' right to acquire them as of the date of this Proxy Statement or within sixty days of such date, are treated as outstanding when determining the percent of the class owned by such individual.
- (2) Includes options exercisable to purchase 100,000 shares of Common Stock at an exercise price of \$0.10 per share granted August 19, 2004.
- (3) Includes options exercisable to purchase 50,000 shares of Common Stock at an exercise price of \$0.15 per share granted February 22, 2001; and options exercisable to purchase 100,000 shares of Common Stock at an exercise price of \$0.10 per share granted August 19, 2004.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Throughout its history, the Company has experienced shortages in working capital and has relied, from time to time, upon loans from affiliates to meet immediate cash demands. There can be no assurance that these affiliates or other related parties will continue to provide funds to the Company in the future, as there is no legal obligation to provide such loans.

In August 2004, three affiliates of the Company converted an aggregate of \$60,000 in accrued and unpaid fees into shares of the Company's common stock at a conversion price of \$.20 per share. Frank L. Jennings, the Company's CEO and CFO, converted \$20,000 in accrued and unpaid fees for financial and accounting services; Clifford L. Neuman converted \$20,000 in accrued and unpaid legal fees and Gunpark Management, LLC converted \$20,000 in accrued and unpaid administrative fees. Frank L. Jennings is a 50% managing member of Gunpark Management, LLC.

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In August 2004, Messrs. Jennings and Neuman were each granted non-qualified stock options exercisable to purchase 100,000 shares of common stock at an exercise price of \$.10 per share. These options were granted in consideration of their services as directors of the Company since the years 2001 and 1997, respectively.

PART IV

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit No.	Title
* 1.0	Articles of Amendment to the Articles of Incorporation dated June 22, 1994
* 3.1	Amended and Restated Articles of Incorporation
* 3.2	Bylaws
* 3.3	Certificate of Designations, Preferences, and Rights of Series A Convertible Preferred Stock
***** 3.4	Certificate of Designations, Preferences, and Rights of Series B Convertible Preferred Stock
***** 3.5	Certificate of Designations, Preferences, and Rights of Series C Convertible Preferred Stock
***** 3.6	Agreement Respecting Rights of Holders of Series C Convertible Preferred Stock
* 4.1	Specimen Certificate of Common Stock
* 4.2	Specimen Class A Common Stock Purchase Warrant
* 4.3	Specimen Class B Common Stock Purchase Warrant
* 4.4	Specimen Class C Common Stock Purchase Warrant
* 4.5	Warrant Agreement
* 5.0	Opinion of Neuman & Drennen, LLC regarding the legality of the securities being registered
* 10.1	Selling Agent Agreement
* 10.2	The Casino-Global Venture I Joint Venture Agreement
* 10.3	Assignment of Casino-Global Joint Venture Agreement dated January 31, 1994
* 10.4	Nonresidential Lease Agreement between Russian-Turkish Joint Venture Partnership with Hotel Lazurnaya and Global Casino Group, Inc. dated September 22, 1993
* 10.5	Contract by and between Aztec-Talas-Four Star, Inc. and Global Casinos Group, Inc. dated April 12, 1993, and Addendum to Agreement by and between Aztec-Talas-Four Star, Inc., Global Casinos Group, Inc. and Restaurant "Naryn" dated June 29, 1993.
* 10.6	Agreement and Plan of Reorganization among Silver State Casinos, Inc., Colorado Gaming Properties, Inc. and Morgro Chemical Company, dated September 8, 1993, incorporated by reference from the Company's Current Report on Form 8-K, dated September 20, 1993
* 10.7	Agreement and Plan of Reorganization among Casinos U.S.A., Lincoln Corporation, Woodbine Corporation and Morgro Chemical Company, dated October 15, 1993, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993

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*	10.8	Stock Pooling and Voting Agreement, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
*	10.9	Employment Agreement, dated September 28, 1993, between Morgro Chemical Company and Nathan Katz, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
*	10.10	Employment Agreement, dated October 15, 1993, between Morgro Chemical Company and William P. Martindale, incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993
*	10.11	Asset Acquisition Agreement by and among Global Casinos, Inc., Morgro, Inc. and MDO, L.L.C., dated as of February 18, 1994, incorporated by reference from the Company's Current Report on Form 8-K, dated February 18, 1994
*	10.12	Stock Purchase Agreement, dated March 25, 1994, incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
*	10.13	Articles of Incorporation of BPJ Holding N.V., incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
*	10.14	Aruba Caribbean Resort and Casino Lease Agreement, dated January 18, 1993, incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
*	10.15	Aruba Gaming Permit issued to Dutch Hotel and Casino Development Corporation, incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994
*	10.16	Letter Agreement between Astraea Investment Management, L.P. and Global Casinos, Inc. dated May 11, 1994
*	10.17	Guaranty from Global Casinos, Inc. to Astraea Investment Management, L.P. dated May 19, 1994
*	10.18	Secured Convertible Promissory Note in favor of Global Casinos, Inc. from Astraea Investment Management, L.P. dated May 19, 1994
*	10.19	Registration Rights Agreement between Global Casinos, Inc. and Astraea Investment Management, L.P. dated May 11, 1994
*	10.20	Employment Agreement, dated July 1, 1994, between Global Casinos, Inc. and Peter Bloomquist
**	10.21	Letter of Agreement, dated September 16, 1994 between Astraea Management Services, L.P., Casinos U.S.A., Inc. and Global Casinos, Inc.
***	10.23	Letter of Agreement dated June 27, 1995, between Global Casinos, Inc., Global Casinos International, Inc., Global Casinos Group, Inc., Broho Holding, N.V., and Kenneth D. Brown individually.
*	10.24	Second Amended Plan of Reorganization of Casinos USA, Inc., and Order Confirming Plan
*	10.25	Warrant Agreement
*****	10.26	Stock Purchase and Sale Agreement between Alaska Bingo Supply, Inc., Global Alaska Industries, Inc. and Mark Griffin
*****	10.27	

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		Convertible Promissory Note in the amount of \$450,000 dated March 31, 1998 in favor of Mark Griffin
****	10.28	General Security Agreement from Global Alaska Industries, Inc. to Mark Griffin
****	10.29	Stock Pledge Agreement from Global Alaska Industries, Inc. to Mark Griffin
*****	10.30	Agreement to Convert Debt dated March 31, 1998 with Mark Griffin
*****	10.31	Tollgate Casino Lease and Option Agreement
*****	10.32	Equipment Lease with Plato Foufas & Co., Inc.
*****	10.33	Employment Agreement of Eric Hartsough
*****	10.34	Stock Purchase Agreement dated December 30, 1999 between Arufinance, N.V. and Global Casinos, Inc.
*****	10.35	Term Sheet dated July 24, 2002 between Global Casinos, Inc., Astraea Investment Management L.P. and others.
*****	10.36	Agreement dated September 17, 2002 among Global Casinos, Inc., Casinos, U.S.A., Inc. and Astraea Investment Management L.P.
*****	10.37	Agreement and Amendment to Promissory Note dated September 17, 2002 between Casinos U.S.A., Inc. and Astraea Investment Management L.P. for promissory note in the original principal amount of \$249,418.48.
*****	10.38	Agreement and Amendment to Promissory Note dated September 17, 2002 between Casinos U.S.A., Inc. and Astraea Investment Management L.P. for promissory note in the original principal amount of \$750,000.
*****	10.39	Agreement and Amendment to Promissory Note dated September 17, 2002 between Casinos U.S.A., Inc. and Astraea Investment Management L.P. for promissory note in the original principal amount of \$783,103.56.
*****	10.40	Assumption Agreement dated September 17, 2002 among, Global Casinos, Inc., Casinos U.S.A., Inc. and Astraea Investment Management L.P.
*****	10.41	Bill of Sale, Assignment and Assumption dated October ____, 2002 between Global Casinos, Inc. and Casinos, U.S.A., Inc.
*****	10.42	Option Agreement dated September 17, 2002 by and between Astraea Investment Management L.P. and Global Casinos, Inc.
*****	10.43	Security Agreement dated September 17, 2002 by Casinos U.S.A., Inc. in favor of Astraea Investment Management L.P.
*****	10.44	Service Agreement dated as of September 17, 2002 between Casinos U.S.A., Inc. and Global Casinos, Inc.
*****	10.45	Stock Pledge Agreement dated as of September 17, 2002 between Global Casinos, Inc. and Astraea Investment Management L.P.
*****	10.46	Voting Agreement dated as of September 17, 2002 between Casinos U.S.A., Inc. and Global Casinos, Inc.
*****	14.	Code of Ethics
	31	Certification
	32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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- * Incorporated by reference to the Registrant's Registration Statement on Form SB-2, Registration No. 33-76204, on file with the Commission on August 11, 1994.
 - ** Incorporated by reference to the Registrant's Annual Report on Form 10-KSB for year ended June 30, 1994.
 - *** Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 15, 1995.
 - **** Incorporated by reference to the Registrant's Current Report on Form 8-K dated August 1, 1997, as filed with the Commission on August 14, 1997.
 - ***** Incorporated by reference to the Registrant's Annual Report on Form 10KSB for the year ended June 30, 1999.
 - ***** Incorporated by reference to the Registrant's Current Report on Form 8-K dated December 30, 1999, as filed with the Commission on January 14, 2000.
 - ***** Incorporated by reference to the Registrant's Annual Report on Form 10KSB for the year ended June 30, 2002.
 - ***** Incorporated by reference to the Registrant's Annual Report on Form 10KSB for the year ended June 30, 2004.
- Reports on Form 8-K
- Current Report on Form 8-K dated June 6, 2005, Items 2.02, 7.01 and 9.01, as filed with the Commission on June 7, 2005.
- Current Report on Form 8-K dated August 22, 2005, Items 7.01 and 9.01, as filed with the Commission on August 22, 2005.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table details the aggregate fees billed to the Company by Stark Winter Schenkein & Co., LLP, its principal accountant, for each of the last two fiscal years:

	<u>2005</u>	<u>2004</u>
Audit Fees	\$28,250	\$26,479
Audit-Related Fees	-0-	-0-
Tax Fees	-0-	-0-
All Other Fees	<u>-0-</u>	<u>-0-</u>
Total	<u>\$28,250</u>	<u>\$26,479</u>

The caption "Audit Fees" includes professional services rendered for the audit of the annual consolidated financial statements and review of the quarterly consolidated financial statements.

It is the policy of the Board of Directors, acting as the audit committee to pre-approve all services to be performed by the independent accountants.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL CASINOS, INC.

Date: October 17, 2005

By: /s/ Frank L. Jennings
Frank L. Jennings,
Principal Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<u>/s/ Frank L. Jennings</u> Frank L. Jennings	Principal Executive Officer, Principal Accounting Officer, Chief Financial Officer & Director	October 17, 2005
<u>/s/ Clifford L. Neuman</u> Clifford L. Neuman	Director	October 17, 2005