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SUREBET CASINOS, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS JUNE 30, 2001 AND MARCH 31, 2001

ASSETS

| | Unaudited JUNE 30 |
|----------------------------------|---------------------------|
| | ----- |
| Current assets: | |
| Receivables | 15,630 |
| Total current assets | ----- 15,630 ----- |
| Deposit on claim | 140,000 |
| Deposit on Colorado casino lease | 200,000 |
| Other | - |
| Total other assets | ----- 340,000 ----- |
| | \$ 355,630 |

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| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | |
|--|-------------|
| Current liabilities: | |
| Accounts payable and accrued liabilities | \$ 639,752 |
| Due to shareholder | 75,687 |
| Due to CSL Development Corporation | 13,934 |
| | ----- |
| Total current liabilities | 729,373 |
| | ----- |
| Commitments and contingencies | - |
| Stockholders' equity (deficit): | |
| Preferred stock, \$.01 par value, 500,000 shares authorized, none issued and outstanding | - |
| Common stock, \$.001 par value, 50,000,000 shares authorized, 7,889,169 shares issued and outstanding | 7,889 |
| Additional paid-in capital | 5,569,866 |
| Accumulated deficit | (5,951,498) |
| | ----- |
| Total stockholders' equity (deficit) | (373,743) |
| | ----- |
| | \$ 355,630 |
| | ===== |

See notes to consolidated financial statements.

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SUREBET CASINOS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
QUARTER ENDED JUNE 30, 2001 AND 2000
(UNAUDITED)

| | 2001 |
|---------------------------------|-------|
| | ----- |
| Revenue: | |
| Casino revenue | \$ - |
| Ticket sales | - |
| Food and beverage sales | - |
| | ----- |
| Total revenue | - |
| | ----- |
| Operating expenses: | |
| Cost of food and beverage sales | - |
| Casino operating costs | - |

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| | |
|--|-----------|
| Casino vessel costs | - |
| Start-up costs | - |
| Sales and marketing | - |
| General and administrative | 402 |
| Minority interest in losses | - |
| | ----- |
| Total operating expenses | 402 |
| | ----- |
| Net income (loss) from continuing operations | (402) |
| Discontinued operations: | |
| Gain on transfer of net liabilities to Imperial (Note 1) | - |
| Operating losses of discontinued business | - |
| | ----- |
| | \$ (402) |
| | ===== |
| Basic net income (loss) per common share: | |
| From continuing operations | \$ (0.00) |
| From discontinued operations | - |
| | ----- |
| Net income (loss) | \$ (0.00) |
| | ===== |
| Weighted average common shares outstanding | 7,889,169 |
| | ===== |

See accompanying notes to consolidated financial statements.

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SUREBET CASINOS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
QUARTER ENDED JUNE 30, 2001 AND 2000
(UNAUDITED)

| | 2001 |
|--|----------|
| | ----- |
| Cash flows from operating activities: | |
| Net income (loss) | \$ (402) |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| Minority interest in losses | - |
| Changes in operating assets and liabilities: | |
| Accounts receivable | - |
| Inventory | - |
| Other assets | - |
| Accounts payable and accrued liabilities | 402 |
| | ----- |
| Net cash used in operating activities | - |
| | ----- |

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| | | |
|--|------|--|
| Cash flows from investing activities: | | |
| Purchase of furniture and equipment | - | |
| Cash flows from financing activities: | | |
| Sale of shares of subsidiary to minority interests | - | |
| Sale of common shares | - | |
| Net cash provided by financing activities | - | |
| Net increase (decrease) in cash and cash equivalents | - | |
| Cash at beginning of period | - | |
| Cash at end of period | \$ - | |
| Supplemental disclosure: | | |
| Total interest paid | \$ - | |

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED FINANCIAL INFORMATION

The accompanying unaudited condensed consolidated financial statements of sureBET Casinos Inc. and its majority-owned subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B of the U.S. Securities and Exchange Commission. They do not include all of the information and notes required by generally accepted accounting principles for complete corporate financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended March 31, 2001 included in the Company's Annual Financial Report on Form 10-KSB filed with the Securities and Exchange Commission. The unaudited financial statements should be read in conjunction with these financial statements included in Form 10-KSB. In the opinion of management, all adjustments consisting only of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three month period ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ending March 31, 2002.

2. DESCRIPTION OF BUSINESS

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During the years ended March 31, 1999 and 1998 and the periods ended December 31, 1999 and 1998, sureBET Casinos, Inc. ("the Company") had no operating assets and had been investigating the acquisition of an operating business. The Company changed its name on June 24, 1999 from Wexford Technology, Incorporated. In connection with an Agreement to Exchange Stock with U.S. Gaming and Leisure Corp. ("USG&L") (see below), the Company entered into an Asset Purchase Agreement (the "Agreement") on March 5, 1999 with its controlling shareholder, Imperial Petroleum, Inc. ("Imperial"). The Agreement provided that Imperial would acquire all the assets and liabilities of the Company. No consideration was exchanged in return for the sale of the net liabilities of the Company. As a result of the Agreement, the Company had no assets or liabilities as of March 31, 1999 or December 31, 1999.

Accordingly, as a result of the Company's liquidation and abandonment of its assets and liabilities to a "shell" status, the Company has accounted for its former operations as discontinued for all periods presented. The common stock issued for services for the period ended December 31, 1999 has been reported as continuing operations since the shares were issued to new continuing management of the Company.

In connection with the Agreement to Exchange Common Stock with USG&L, dated May 12, 1999, which is contingent on a private placement which has not been completed, the Company will issue 6,000,000 new common shares to stockholders of USG&L for 100% of the outstanding shares of USG&L. As a result of the tax-free transaction, USG&L will become a wholly owned subsidiary of the Company. The owners of USG&L obtained effective control of the Company in July 1999 by obtaining control of the Board of Directors of the Company. The transaction will be accounted for as a reverse acquisition whereby USG&L will be the acquiring company for accounting purposes.

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On June 7, 1999, there was a change in the Board of Directors of the Company. The new board changed the Company's business strategy and decided to enter into the casino business. On June 24, 1999, the Articles of Incorporation of the Company were amended to change the name of the Company to sureBET Casinos, Inc.

Under the direction of its new management, the Company intends to develop, acquire, joint venture, manage, and operate gaming establishments with an initial focus on water-based gaming, the emerging gaming markets, and the rehabilitation and reorganization of casinos that are underperforming financially.

On October 1, 1999, the Company entered into a Management Contract with Casino Padre Investment Company, LLC ("Casino Padre"), a Nevada limited liability company. Under the terms of the contract, the Company had an exclusive agreement to operate the gaming ship M/V Entertainer and the gaming operations located on the ship on behalf of and for the account of Casino Padre Investment Company, LLC. On October 27, 1999, the Company acquired 50 membership units in Casino Padre Investment Company LLC in exchange for 5,000,000 shares of the common stock of the Company. Immediately following the transaction, the Company owned 83% of Casino Padre Investment Company LLC. The shares were acquired from Charles S. Liberis, the President of the Company. The LLC was formed on September 14, 1999 and at the time of the acquisition, was still in a

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developmental stage. Casino Padre commenced operations on November 18, 1999. As of June 30, 2001, the Company owned 61% of the LLC.

The Company operated the M/V Casino Padre as a casino boat, conducting day and evening cruises of approximately six hours each from South Padre Island, Texas, until November 6, 2000 when CSL terminated the charter and Casino Padre ceased operations. As of June 30, 2001 Casino Padre was in arrears on its charter payments to CSL Development in the amount of \$1,104,960.

On December 20, 1999, the Company entered into an agreement with Black Hawk Hotel Corporation, an unaffiliated entity, to lease Lilly Belle's Casino, an existing casino facility located in Black Hawk, Colorado. Pursuant to the terms of the lease, the Company has an option to purchase the premises. The lease is contingent on the Company receiving approval for the transaction and issuance of regulatory licenses from the Colorado Gaming Commission.

DEFAULT IN COLORADO LEASE. Pursuant to the lease between Black Hawk Hotel Corporation and the Company, Black Hawk Hotel was to purchase 250,000 shares of the Company's common stock on or before March 1, 2000. Black Hawk did purchase 125,000 shares but has failed to purchase the remaining 125,000 shares. Further, the commencement date of the lease was October 1, 2000 and the Company is in default under this provision. The parties are negotiating in good faith to reinstate the lease.

Efforts by the Company to settle its difficulties with Black Hawk Hotel Corporation have not been successful. Although the parties will continue to negotiate in good faith to revisit the lease, the Company has chosen to voluntarily withdraw its application with the Colorado Gaming Commission effective August 7, 2001. This withdrawal is without prejudice and if the Company is able to reinstate its lease the application with the Colorado Gaming Commission will be resubmitted.

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3. GOING CONCERN

The Company's financial statements have been prepared on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. At June 30, 2001, the Company had a working capital deficiency of \$713,743 and an accumulated deficit of \$5,951,498. The Company does not believe that it will be able to meet its normal operating costs and expenses from operations.

The cash requirements of funding the Company's operations and expansion have exceeded cash flow from operations. To date, the Company has satisfied its capital needs primarily through debt and equity financing. The Company continually explores raising additional capital through such means.

The Company believes that it will be able to raise additional capital through debt and equity financing which will be sufficient to meet the Company's current working capital needs for at least the next twelve months. However, there can be no assurance that the Company will not need to raise additional capital sooner, particularly to take

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advantage of any expansion opportunities, not currently anticipated that may become available. In such event, there can be no assurance that additional capital will be available at all, at an acceptable cost, or on a basis that is timely to allow the Company to finance any such opportunities.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following Management's Discussion and Analysis or Plan of Operation contains forward-looking statements about our plans and business. Actual events and results may differ materially from those anticipated in these forward-looking statements. The ability to achieve our projections and business objectives is dependent on a variety of factors, many of which are outside of our control. Some of the most significant factors, alone or in combination would be our failure to obtain additional equity financing to fund development activities and projected losses from operations and/or the inability to grow the revenues and improve the financial performance of the company. Accordingly, there can be no assurances that we will achieve our business objectives.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

The sole source of revenue for the Company had been derived from the operation of Casino Padre. On November 6, 2000, the Casino Padre operation was shut down. Accordingly, there were no revenues for the three months ended June 30, 2001, as compared to \$751,796 of revenues for the same period of last year.

During the three months ended June 30, 2001, the Company incurred only \$402 of general and administrative expenses, as compared to \$1,281,664 of operating expenses for the three months ended June 30, 2000.

The above resulted in a net loss of \$402 for the three months ended June 30, 2001, as compared to a net loss of \$529,868 for the three months ended June 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, the Company had a working capital deficit of \$713,743 and an accumulated deficit of \$5,951,498. There was no cash flow for the three months ended June 30, 2001. The Company does not believe that it will be able to meet its normal operating costs and expenses from management fees and cash flow of Casino Padre as Company does not presently have any operations.

The Company has been dependent upon loans from its principal shareholder and President, Charles Liberis. From May 31, 1999 to August 20, 2000, Mr. Liberis advanced \$118,000 to the Company. The loans are not evidenced by promissory notes and there is no fixed date for repayment. During the year ended March 31, 2001, the Company repaid a net amount of \$43,614. At June 30, 2001, \$75,687 was owed to Mr. Liberis.

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In addition, at June 30, 2001, \$13,934 was owed to CSL Development Corporation for past due charter payments and accrued interest thereon. Mr. Liberis is also the President of CSL Development Corporation.

The report of the Company's independent auditors on the financial statements for the year ended March 31, 2001, includes an explanatory paragraph relating to the uncertainty of the Company's ability to continue as a going concern due to the loss incurred for the year ended

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March 31, 2001 and the working capital deficit and stockholders' deficit existing as of March 31, 2001. The Company must raise additional capital in order to fund operations.

The Company believes that it will be able to raise additional capital through debt and equity financing which, along with additional loans from its principal shareholders, will be sufficient to meet the Company's current working capital needs for at least the next twelve months. However, there can be no assurance that the Company will be able to raise additional capital or to take advantage of any expansion opportunities that may become available. There can be no assurance that additional capital will be available at all, at an acceptable cost, or on a basis that is timely to allow the Company to finance any further business opportunities.

FORWARD LOOKING STATEMENTS

Except for historical information contained herein, the matters discussed in this report, in particular, statements that use the words "believes", "intends", "anticipates", or "expects", are intended to identify forward looking statements that are subject to risks and uncertainties including, but not limited to, inclement weather, mechanical failures, increased competition, financing, governmental action, environmental opposition, legal actions, and other unforeseen factors.

The development of the Black Hawk, Colorado project, in particular, is subject to additional risks and uncertainties, including, but not limited to, risks relating to permitting, financing, the activities of environmental groups, the outcome of litigation and the actions of federal, state, or local governments and agencies. The results of financial operations reported herein are not necessarily an indication of future prospects of the Company. Future results may differ materially.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are included with this report.

| EXHIBIT NUMBER | DOCUMENT |
|-------------------|---|
| 2.1 | Agreement to Exchange Common Stock with U.S. Gaming & Leisure Corp. (1) |