



and controlled entities
ABN 59 056 210 774

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007

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Managing Director's Commentary

eBet's Full Year result for the period ended 30 June 2007 was a \$1.2m NPBT against revenues of \$21.3m.

Key points in comparison to the prior corresponding period include:

Group Revenue	↑ 9.7%	<ul style="list-style-type: none"> Total revenue up from \$19.4m to \$21.3m
Gaming Systems Revenue	↑ 14.0%	<ul style="list-style-type: none"> Up from \$11.7m to \$13.4m
Gaming Systems Recurring Revenue	↑ 10.0%	<ul style="list-style-type: none"> Up from \$4.6m to \$5.1m
Online Wagering Revenue	↑ 99.0%	<ul style="list-style-type: none"> \$732k to \$1.4m Contributes 8% of total revenues
EBITDA	↑ 13.8%	<ul style="list-style-type: none"> Up from \$3.1m to \$3.5m
Net Profit Before Tax (NPBT)	↑ 20.3%	<ul style="list-style-type: none"> NPBT before tax up from \$1m to \$1.2m
Net Profit After Tax (NPAT)	\$857k*	<ul style="list-style-type: none"> NPAT down from \$1.74m to \$857k

*In FY2006, the Company brought to account a tax benefit of \$746k utilising a recoupment rate of 0.54 which increased our after tax profit by a similar amount to \$1.747m. At the time of finalising the accounts, the proposed acquisition of Octavian International Limited (being a foreign company with anticipated substantial future active income) was not certain, and therefore the impact of the acquisition was not included in the 5 year Profit & Loss Forecast used to assess the Company's ability to access future tax benefits.

Revenue

The increase in revenue is attributable to the combination of management initiatives and product innovation across the Company. Relationships that have been cultivated with our customers over a long period of time and products such as the IGMI interface board and BreakAway™, have proven to be a competitive advantage for eBet, particularly in a challenging domestic market bracing itself for the expected impact that smoking bans will have on future profitability.

Recurring revenues contributed 24% of eBet's total revenues. This result reflects the Company's continued focus to achieve a greater percentage of revenues from recurring sources.

Gaming Systems

The Gaming Systems division continues to be the largest contributing division to eBet's revenues. The success of the proprietary IGMI interface board which can incorporate our BreakAway™ functionality was the key driver providing sales growth. The IGMI interface board, EPS 2.0 operating system software platform, and BreakAway™ all received regulatory approval in April. Contracted sales to June 30 exceeded 6,400 units across 50 venues. The modular design of the IGMI interface board enables additional applications such as TIKIT™ and TIKIT+™ (Ticket In, Ticket Out solutions for new and old gaming machines) to be added to gaming operations in a plug and play manner.

The Gaming Systems business will continue to concentrate on rollout of the IGMI interface board to facilitate BreakAway™ and Ticket In, Ticket Out (TITO) functionality. eBet's TITO solution for new style gaming machines (TIKIT™) and its innovative TITO retrofit solution for older gaming machines (TIKIT+™), have been specifically designed to enable clubs and hotels to have 100% TITO functionality in order to increase operator efficiencies and enhance player experience.

International sales revenue grew significantly in Asia, increasing by \$862k to \$1.5m. The customer base in this region is growing steadily and major sales were made to Palazzo Club and Duxton Hotel in Vietnam, Pacific Palm Corp in the Philippines, Royal Star in Singapore and EMS Paradise Busan in South Korea.

As the Asian casino market continues to expand, the Company is well placed to increase revenue from this region in FY08.

Online Division

The Online Division continued to grow in the United States, achieving an increase in revenue of 99% from \$732k to \$1.4m, partly due to the contribution of the full year Mohegan Sun at Pocono Downs contract. The Online Division now contributes 7% of total revenue.

During FY07, the development team successfully migrated all US installations to a common platform. This has benefited customers by reducing operational costs and providing increased system performance. Our customers are enjoying record revenue, due (in part) to improved system efficiencies that allow faster wagering and data retrieval. Online wagering is a high margin, low cost business and additional contracts can be leveraged off the existing infrastructure.

Over the coming 12 months, the Online Division will be concentrating on increasing its sales and marketing activities through distribution agreements where it makes commercial sense to do so. A number of international expansion opportunities in Latin America and Asia are also being considered.

Company Tax

For FY2007, the Company has taken a more conservative position in light of the pending completion of the acquisition of Octavian International Limited, in order to preserve the future availability of our carried forward tax losses. This accounts for the reduced NPAT for FY2007.

Cash Flow

Cash flows from Operating Activities of (\$1.361m) was due mainly to delayed regulatory approvals for, and subsequent installation and rollout of, the new IGMI interface board and BreakAway™ products, and the investment for the manufacture and sale of the first 250 Maverick 1000 game kits for the Latin America market.

Cash flows from Investing Activities of (\$3.552m) was directly related to increased software development expense associated with the development of the IGMI interface board, BreakAway™ and future products TIKIT™ and TIKIT+™ (Ticket In Ticket Out), and acquisition costs related to the pending acquisition of Octavian International Limited.

Financing

In November, 2006 secured financing facilities were obtained from St. George Bank to repay all outstanding convertible notes, and provide some working capital. Subsequently, two previous convertible noteholders agreed to subscribe A\$3.2m of additional convertible notes to fund a working capital facility for the Company and Octavian International Limited.

Significant Developments

A number of initiatives that began during FY07 will have a major positive impact in FY08.

These are summarised as:

- Finalising the Octavian acquisition:
 - It is expected that all matters relating to the acquisition of Octavian will be put to a shareholder vote by mid-October;
- Realising the revenue opportunities of the combined entity, estimated to be fivefold on current eBet revenues:
 - Estimates for the combined entity are expected to be in the range of \$85m to \$95m;
- Increasing Gaming Systems sales in Europe, Latin American and Asia to achieve greater geographic diversity of revenues:
 - Participation revenues from EUROM in Romania are expected to be received in 2H FY08;
- Sale of Maverick 1000 game kits throughout Europe, Latin America and Asia;
- Increased focus on participation deals and recurring revenue sources:
 - Increasing the number of Online Wagering customers;
 - Concentrating on Wide Area Progressive Jackpot rollout in emerging markets and controlled rollout in mature markets;
 - Placement of Maverick 1000 game kits on participation deals;
- Aligning the Company with organisations that specialise in products that will enable the Company to provide a wider offering to the gaming sector:
 - Increasing the value of products to customers;
 - Providing end-to-end solutions for the gaming sector;
- Building the intellectual property portfolio of eBet and Octavian through targeted ongoing investment in research and development that will be spread across games, systems and product initiatives:
 - Integrating core technologies of eBet and Octavian to expand selling opportunities;
 - Pursuing sales opportunities where the integrated technologies of eBet and Octavian will be able to offer full service gaming networks with multiple products such as lottery, wagering, central monitoring, customer loyalty programs and game kits.

Income Statement for the Year Ended 30 June 2007

	Consolidated Entity	
	2007 \$000	2006 \$000
Revenue		
Sales - Gaming Systems & Equipment	13,374	11,731
Service Revenue	5,080	4,618
US Links	796	2,042
Online & Professional Services	1,457	732
Other Revenue	623	322
<i>Total Revenues</i>	21,330	19,445
Expenditure		
Cost of Sales	(9,057)	(6,399)
Licence Fees & Commission	(267)	(750)
Employee Expenses	(5,207)	(5,493)
Borrowing Costs	(486)	(558)
Professional Fees	(352)	(462)
Telecommunications	(161)	(280)
Bad & Doubtful Debts	100	(215)
Travel & Entertainment Expenses	(427)	(458)
Motor Vehicle Expenses	(185)	(180)
Insurance Expenses	(247)	(231)
Occupancy & Equipment Rental Expenses	(827)	(456)
Directors Fees & Related Expenses	(177)	(138)
Depreciation & Amortisation	(1,848)	(1,566)
Audit & Accounting Fees	(183)	(276)
Other Expenses	(802)	(982)
<i>Total expenses</i>	(20,126)	(18,444)
Profit before income tax	1,204	1,001
Income tax benefit / (expense)	(347)	746
Net profit after related income tax attributable to members of the parent entity	857	1,747
Profit for the period	857	1,747
Basic earnings per share (cents per share)	0.39	0.81
Diluted earnings per share (cents per share)	0.39	0.81

Balance Sheet as at 30 June 2007

	Consolidated Entity	
	2007 \$000	2006 \$000
Current Assets		
Cash and cash equivalents	560	2,610
Trade and other receivables	7,592	4,907
Inventories	2,075	1,320
Financial assets	2,521	-
Other current assets	2,843	107
<i>Total Current Assets</i>	15,591	8,944
Non-Current Assets		
Financial assets	281	-
Property, plant & equipment	2,066	2,448
Deferred tax asset	514	746
Intangible assets	14,814	13,702
<i>Total Non-Current Assets</i>	17,675	16,896
Total Assets	33,266	25,840
Current Liabilities		
Trade and other payables	5,056	3,991
Other financial liabilities	7,213	5,142
Tax liability	116	-
Provisions	620	457
<i>Total Current Liabilities</i>	13,005	9,590
Non-Current Liabilities		
Other financial liabilities	3,230	-
Provisions	80	127
<i>Total Non-Current Liabilities</i>	3,310	127
Total Liabilities	16,315	9,717
Net Assets	16,951	16,123
Equity		
Issued Capital	50,075	50,036
Reserves	(46)	81
Accumulated losses	(33,078)	(33,994)
Total Equity	16,951	16,123

Statement of Changes in Equity as at 30 June 2007

Economic Entity

	Issued Capital \$000	Accumulated Losses \$000	Option Reserve \$000	Exchange Variation reserve	Total \$000
Balance at 1 July 2005	49,981	(35,741)	58	-	14,298
Share issue of 500,000 shares on 10 March 2006	55	-	-	-	55
Fair value adjustment of options issued	-	-	23	-	23
Profit for the financial year	-	1,747	-	-	1,747
Balance at 30 June 2006	50,036	(33,994)	81	-	16,123
Share Issue of 23,500 shares on 29 November 2006	5	-	-	-	5
Share Issue of 275,000 shares on 27 March 2007	34	-	-	-	34
Options issued	-	-	20	-	20
Transfer options expired	-	59	(59)	-	-
Fluctuation on foreign exchange	-	-	-	(88)	(88)
Profit for the financial year	-	857	-	-	857
Balance at 30 June 2007	50,075	(33,078)	42	(88)	16,951

Statement of Cash Flows for the Year Ended 30 June 2007

	Consolidated Entity	
	2007 \$000	2006 \$000
Cash Flows from Operating Activities		
Receipts from customers	19,042	18,599
Payments to suppliers and employees	(19,987)	(16,194)
Interest received	70	87
Interest and other costs of finance paid	(486)	(558)
Net cash provided by / (used in) operating activities	(1,361)	1,934
Cash Flows from Investing Activities		
Proceeds of sale of property, plant and equipment	-	7
Payments for purchases of property, plant and equipment	(408)	(802)
Payments for software development and other intangibles	(2,199)	(935)
Payments for acquisition of Octavian International Limited	(945)	-
Net cash used in investing activities	(3,552)	(1,730)
Cash Flows from Financing Activities		
Repayment of principal - convertible notes	(5,134)	-
Proceeds of principal - convertible notes	3,200	-
Proceeds of principal - borrowings	7,020	-
Repayments of principal - borrowings	(430)	-
Secured loan provided to Octavian International Limited	(2,477)	-
Proceeds from issue of shares	39	55
Net cash provided by financing activities	2,218	55
Net increase/(decrease) in cash held	(2,695)	259
Cash held at beginning of the financial year	2,610	2,351
Cash held at 30 June 2007	(85)	2,610

Notes to the Preliminary Final Report

Note 1 Revenues

	Consolidated Entity	
	2007 \$000	2006 \$000
Operating Revenue		
Systems, Equipment & Software Sales	13,374	11,731
Service Revenue - Gaming Systems	5,080	4,618
US Links	796	2,042
Online Systems & Services	1,457	732
	20,707	19,123
Non Operating Revenue		
Foreign Exchange Gain	11	-
Interest received	70	86
Government grants	231	76
Other revenue	311	160
	623	322
	21,330	19,445

Note 2 Items included in Profit

	Consolidated Entity	
	2007 \$000	2006 \$000
Cost of Sales	9,057	6,399
Licence fees & Commission	267	750
Borrowing costs:		
- Directors and Director Related Entities	-	16
- Other persons	486	542
	486	558
Depreciation and amortisation		
- Plant and equipment depreciation	761	659
- Intellectual Property, software development & other intangible assets amortisation	1,087	907
	1,848	1,566
Foreign Currency Losses	80	65
Operating Leases		
- Minimum Lease payments	667	341

Note 3 Earnings per Share and Dividends

	Consolidated Entity	
	2007 \$000	2006 \$000
Basic earnings per share (cents per share)	0.39	0.81
Diluted earnings per share (cents per share)	0.39	0.81
Net profit used in calculating basic and diluted EPS (\$'000)	857	1,747
Weighted average number of ordinary shares used in calculating basic earnings per ordinary share (000 shares)	217,521	217,161
Adjustments: Dilutive potential ordinary shares - share options (000 shares)	131	18
Used in calculating diluted earnings per share (000 shares)	217,652	217,179

Note 4 Statement of Operations by Segment

	Gaming Systems		Online Wagering		Links		Economic Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Primary Reporting Business Segments								
Revenue	18,447	16,382	1,948	818	935	2,245	21,330	19,445
Net Profit / (Loss) before tax	935	1,639	1,292	289	(1,023)	(927)	1,204	1,001
Income Tax Benefit / (Expense)							(347)	746
Net Profit							857	1,747
Total Segment Assets	29,657	21,785	1,348	240	2,261	3,815	33,266	25,840
Total Segment Liabilities	15,477	8,108	526	131	312	1,478	16,315	9,717

Note 4 Statement of Operations by Segment (Continued)

	Australia		US		Other		Economic Entity	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Secondary Reporting Geographic Segments								
Revenue	16,980	15,772	2,553	2,882	1,797	841	21,330	19,445
Net Profit / (Loss) before tax	301	1,428	(45)	(731)	948	304	1,204	1,001
Income Tax Benefit / Expense							(347)	746
Net Profit							857	1,747
Total Segment Assets	23,333	21,752	6,248	4,053	3,685	35	33,266	25,840
Total Segment Liabilities	14,256	8,097	1,980	1,609	79	11	16,315	9,717

Segment Operation Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments are allocated to the segments on a reasonable basis.

Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings.

Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on inter-segment transactions are the same as those charged for similar goods to parties outside of the consolidated entity at an arm's length. These transfers are eliminated on consolidation.

Business Segments

The Consolidated Entity has the following three business segments:

- The Gaming Systems Division develops and markets a range of networked solutions for electronic gaming machines, including player loyalty and tracking systems, card-based cashless gaming solutions and machine management software.
- The Online Division supports online wagering technologies and works only with government sanctioned and licensed wagering operators located in regulated jurisdictions in New Zealand and the US.
- The Links Division markets and operates wide-area jackpot links through Native American Casinos in the US.

Geographical Segments

The Parent Entity is situated at the Company's head office in North Ryde, NSW, in Australia. All corporate, legal, finance, treasury, investor relations, accounting, finance and administration of the group is carried out from the Company's head office.

Note 5 Events Subsequent to Reporting Date**Events occurring after balance sheet due****Acquisition of Octavian International Limited**

eBet Limited signed a conditional sale and purchase agreement to acquire the assets of Octavian International Limited, a UK-based gaming technology group for a consideration of US\$500,000 cash, 136,894,923 shares (of which 36,894,923 shares are subject to conditions) in eBet Limited to be issued at A\$0.19 each on completion of the proposed transaction, and up to 85,459,621 earn out shares in eBet Limited over the Earn-Out Years FY2009,10,11,12.

As at 30 August 2007, all conditions precedent had not been satisfied. Details of net assets of Octavian International Limited and goodwill on consolidation resulting from the proposed transaction are not able to be determined as at 30 August 2007, as completion accounts are not available.

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Results for Announcement to the Market

	% change	\$'000
Revenue from ordinary activities	up 9.7%	to 21,330
Profit from ordinary activities after tax attributable to members	down 50.9%	to 857
Net profit / (loss) for the period attributable to members	down 50.9%	to 857

Dividends

No dividends were paid or made payable during or since the twelve month period to 30 June 2007.

Dividends	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record Date	N/A	N/A

Net Tangible Asset backing (NTA)

	30 June 2007 (cents)	30 June 2006 (cents)
Net tangible asset backing per ordinary security	\$0.01	\$0.01

Other information

Control gained over entities having material effect N/A

Loss of control over entities having material effect N/A

Dividend or distribution reinvestment plans Nil

Associates and joint venture entities

- Gaming Solutions Pty Limited ACN 125 503 853 (50% Holding)

Audit/Review status

This report is based on +accounts to which one of the following applies.

(Tick one)

- | | |
|---|--|
| <input type="checkbox"/> The +accounts have been audited. | <input type="checkbox"/> The +accounts have been subject to review. |
| <input checked="" type="checkbox"/> The +accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The +accounts have <i>not</i> yet been audited or reviewed. |

Attachments forming part of Appendix 4E

Attachment	Details
	Other sections contained within the Preliminary Final Report

A handwritten signature in black ink, appearing to be 'J. Smith', written over a faint rectangular box.

Signed:

Dated this 31st day of August 2007.

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