



on that dates as reported by the NASD Over the Counter Bulletin Board.

#### REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS

Not applicable.

#### (APPLICABLE ONLY TO CORPORATE REGISTRANTS)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

March 31, 2004 - 26,075,000 Common Shares

#### DOCUMENTS INCORPORATED BY REFERENCE

A description of "Documents Incorporated by Reference" is contained in Item 13 of this Report.

Transitional Small Business Disclosure Format Yes  No

#### NOTE REGARDING FORWARD LOOKING STATEMENTS

This annual report on Form 10-KSB ("Report") contains statements that may contain forward-looking statements, concerning our future operations and planned future acquisitions and other matters and we intend that such forward-looking statements be subject to the safe harbors for such statements. Any statements that involve discussions with respect to predictions, expectations, belief, plans, projections, objectives, assumptions or future events or performance (often, but not always, using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "might", or "will" be taken to occur or be achieved) are not statements of historical fact and may be "forward looking statements". These forward-looking statements, include statements relating to, among other things, our ability of our to continue to successfully compete in our markets.

We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Such forward-looking statements are based on our beliefs and estimates of management as well as on assumptions made by and information currently available to the registrant at the time such statements were made. Forward looking statements are subject to a variety of risks and uncertainties which

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could cause actual events or results to differ from those reflected in the forward looking statements, including, without limitation, the failure to obtain adequate financing on a timely basis and other risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements, either as a result of the matters set forth or incorporated in this Report generally and certain economic and business factors, some of which may be beyond our control.

These factors include, among others, the risk factors discussed in the section entitled "risk factors."

We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

#### PART I

#### ITEM 1. DESCRIPTION OF BUSINESS

##### BUSINESS DEVELOPMENT

We were incorporated in Florida on May 3, 1989 as Sparta Ventures Corp. In 1998 we entered into an agreement with Thermal Ablation Technologies Canada Inc., which had developed a thermal balloon ablation system to eliminate dysfunctional uterine bleeding. Our obligation was to raise \$3 million to pursue the development of a prototype unit. As a result of this agreement, we changed our name to Thermal Ablation Technology Corporation on October 8, 1998. We raised \$150,000 on a private placement basis which was invested into the development of the prototype but we were unable to raise any further capital and as a result, the deal collapsed. After several months of unsuccessful operations Thermal was abandoned and we were reclassified as a development stage enterprise in 1998. We retained a 6% interest in Thermal Ablation Technologies Canada Inc. with no

further obligation.

In June, 1999, our directors undertook to restructure the company by agreeing in principal to sublicense the URL www.poker.com from UniNet Technology Inc., and

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undertook the development of an on-line internet gaming marketing company. UniNet was in the process of negotiating a license of the URL from Ala Corp. on the basis that the rights to the URL would be sub-licensed to us immediately. We appointed one of UniNet's directors to our board and on July 9, 1999, we entered into a sub-license with UniNet and began our research in to the acquisition of a casino and/or poker software license.

The terms of our agreement with UniNet included paying to Ala Corp. \$100,000 and issuing it 750,000 shares of our common stock as an initial fee plus pay an on-going royalty of 4 % of our gross revenue to Ala Corp. Half of the 750,000 shares referred to above were issued to two of our directors, one of whom was, at the time, also a director of UniNet. Pursuant to our sub-license agreement with UniNet, we have the exclusive worldwide rights to market the www.poker.com URL until the year 2098. In addition, the title to the URL transfers to us free and clear of all encumbrances when the cumulative on-going royalties paid to Ala Corp. exceed \$1 million.

In August 1999, we entered into a one-year non-exclusive license agreement with ASF Software Inc. of Belize. ASF agreed to license to us certain multi-player poker software with the specific provision that we would then sub-license the software to third parties. The terms of the license with ASF included payment of \$135,000 plus an on-going royalty of 20% of the rake. The agreement is automatically renewed for one-year

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periods and either party may terminate the agreement with 90 days notice to the other party. In addition, ASF's associated company would provide credit card processing for a fee of 5.75%.

On August 10, 1999, we changed our name to Poker.com, Inc. and on August 19, 1999, our common stock became quoted on the NASD OTC Bulletin Board under the symbol 'PKER' .

As our business was to market and resell gaming licenses (as opposed to operating casinos or card rooms), in August 1999, we entered into an agreement with Antico Holdings S.A. ("Antico") a Costa Rican company whereby we granted Antico exclusive worldwide rights to use the URL www.poker.com for operating casino and/or card rooms, in consideration of \$200,000. We retained all other rights to the URL for developing the web site as a portal, for advertising, marketing the Antico card-room, marketing casinos, marketing card rooms and other gaming software.

Pursuant to our agreement with Antico, we earn a marketing fee of 20% of all deposits made to Antico's poker card room by players who log in to play poker and use their credit cards or send wire transfers to deposit funds to play poker.

In September 1999, we raised \$500,000 on a private placement basis to fund the development of our business model, namely creating www.poker.com as a gaming

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portal, selling software program sub-licenses and casino links for online gaming, marketing and selling banner advertising on our portal.

On November 29, 1999, our subsidiary, Casino Marketing S.A., purchased a Master Sub-license Agreement from Gamingtech Corporation (a subsidiary of Chartwell Technologies Inc. which developed a suit of 18 casino games). We paid Gamingtech \$100,000 for the non-exclusive worldwide rights to sell Gamingtech's casino software program licenses. Our agreement with Gamingtech enables us to:

a) sell independent casino software program sub-licenses for up to \$75,000 plus a gross royalty fee of up to 35% of monthly net operating profit. This independent sub-license will enable the purchaser to use the licensor's proprietary software; and,

b) sell dependant sub-license casino 'links' for up to \$35,000 plus a gross royalty fee of between 35% and up to 65% of the sub-licensees net monthly revenue. In this situation the dependant sub-licensee is linked into an independent sub-licensees proprietary software and does not have its own proprietary software

In December 1999, we raised a further \$360,000 on a private placement basis for general working capital.

On January 10, 2000, we sold one of Gamingtech's independent casino sub-licenses to Antico for \$50,000 with the understanding that Antico would assist us in providing technical and administrative services from Costa Rica to our casino sub-licensees. Antico will pay us 35% of the net profits generated from their casino, known as Visual Casino. Antico will earn from web masters who purchase links to Visual Casino from us, a 3% administration fee. Visual Casino will provide the webmaster virtual time statistics on who is playing, how much has been deposited and how much has been won by the players.

We realized by late December 1999 that the ASF software was outdated and ASF was refusing to update the software. We decided to find a new provider and in February 2000, we entered into a contract with

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TransNet International S.A. with a view to provide us with a new generation poker software license for a term of 50 years. We paid \$30,000 to TransNet and agreed to an on-going royalty payment of 20% of the rake from the use of the software plus a fee of \$50,000 for every master license we sold. The software was delivered to us in August of 2000 and we have since that time sold master card room licenses and sub-licenses. Antico agreed to accept the new software program in place of the ASF software despite the problems in change over.

After notice was given to ASF of cancellation of the master license agreement, ASF instructed Credit Card Processing of Belize to hold back payments which resulted in Antico not being paid the 15% hold backs and its inability to pay us royalty payments. Antico agreed to assign the withholding payments to ensure that we receive the outstanding royalty fees due.

By mid 2000, we realized that the Gamingtech software was badly constructed and Gamingtech was unable to upgrade its system. As a result, on September 14, 2000, the Company purchased a casino software license from Starnet Systems International Inc. in return for \$100,000 in advertising and monthly fees based on a percentage of net monthly revenue. We then cancelled our agreement with Gamingtech.

By December 2000, we had launched two Starnet Casino websites.

In July 2001, we launched a poker affiliate software program, which enabled sub licensees to offer webmasters the ability to earn fees by directing traffic to a poker.com poker room. Features of the affiliate program included no investment and no risk to the webmasters, real-time statistics, accumulated bad beat jackpot, and 24/7 technical and customer support.

We offered alternative casino software to our customers in July 2001 when we entered into a strategic relationship with Trimon Software Systems Inc. Trimon offers: baccarat, black jack, craps, Caribbean poker, let-it-ride poker, pai-gow poker, American roulette, slot machine and video poker. The Trimon software enables our casino owner/operators to extend their poker and casino games into the wireless and closed circuit areas through wap (wireless application protocol), casino-on-tv. and casino kiosk.

In September 2001 we sold a master license to Microgaming Systems Ltd. (a South African/UK Company and one of the largest casino licensors on the internet) to market online multi-player poker software sublicenses. Microgaming's intention was to provide all their casino licensees with a poker card room sublicense. We would earn a licensing fee for each sublicense sold plus a monthly royalty fee. We would be responsible to pay TransNet a corresponding license fee and royalty.

In November 2001, we entered into an agreement with Focusnet Capital Inc. and Pyramid Casino to provide a master poker card room.

On November 30, 2001, our subsidiary, Casino Marketing, amended its original agreement with TransNet whereby the fee payable to TransNet was reduced down as follows: (i) a \$50,000 license fee was payable provided Casino Marketing sold a master license for \$100,000 or more; (ii) if sold for under \$100,000 the fee would be reduced to 40%. TransNet also agreed to provide Casino Marketing with a new software program to enable Casino Marketing to sell sub-licenses for not less than \$50,000. TransNet was to receive a fee of \$20,000 for each sub-license sold. It was further agreed that the royalty fee payable to TransNet would

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be reduced to 50% of the royalties that Casino Marketing received from sub-licensees rather than 20% of the rake.

Our strategy in 2002 was to continue to acquire master licenses from software

developers to resell their software programs to earn licensing fees and royalty fees as opposed to developing our own proprietary software which requires substantial capital and human resources. Our experience determined that some software developers lack the marketing expertise to take advantage of the market potential for selling sub-licenses. The software developers themselves also recognized the fact that the more licenses they sell, directly or indirectly, the greater their royalty revenue. We were able to acquire master sub-licensing contracts from software developers and offered software development Trimon Software System Inc.; Starnet Systems International Inc. and TransNet International Gaming S.A.

During 2002 we continued marketing casino and poker licenses. In or about mid-2002, we recognized some major shortcomings of our marketing efforts. Our costs of sales were extraordinarily high and did not justify the overhead expenses. A second fundamental issue was that sales were being made to unqualified buyers which resulted in buyer dissatisfaction and eventual cancellation which impacted our credibility and financial performance. Because our licensees who acquired the software from us were unqualified to operate on-line games, we would receive a licensing fee but the operator was destined to fail. As a result, we restructured our selling activities and reduced the number of our employees.

Also during 2002, legislation was introduced to the United States Congress to prohibit on-line gaming. We felt it would be prudent to focus the resources of our business on developing an on-line skill based poker system. In early 2003, we were able to acquire the rights to a provisional patent for the method of determining skill in a tournament setting and undertook to realize the technology in an on-line environment.

On February 12, 2003 we acquired the rights, title and interest in a skill based method of playing poker online known as Skill Poker. Skill Poker was invented by Randy Peterson, a retired Vancouver police detective who sold it to Blue Diamond International Capital. The provisional patent application covering the method of playing Skill Poker was acquired by us from Blue Diamond International Capital for \$50,000 in cash and through the issuance of 3,000,000 common shares issued in accordance with Regulation S of the Securities Act of 1933. Ongoing consideration payable to Blue Diamond International Capital includes a monthly minimum of \$3,500 or 4% of the gross revenue earned through the operation of Skill Poker, whichever is the greater. The provisional patent application, the related trademarks and the operations of Skill Poker are conducted through a wholly owned Washington State subsidiary, Skill Poker.com Inc., which was incorporated in February of 2003.

Skill Poker is a skill based method of playing poker online which removes the elements of chance. The legality as a skill based game was opined upon by I. Nelson Rose, a professor of law at Whittier University in California. Dr. Rose has represented the U.S and Canadian governments in addition to state and provincial governments and many commercial gaming operators. Skill Poker.com Inc. earns its revenue through the operation of skill based poker tournaments online whereby players enter tournaments paying a buy in and a tournament fee. Skill Poker.com Inc. earns only the tournament fee and does not participate in the buy in. The legality or illegality of the Skill Poker system with respect to U.S or Canadian gaming regulations can not be determined considering the fact that the system has not been challenged in a court of

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law. It is, however, widely considered that games of skill are different from games of chance and therefore are not considered gambling by regulatory bodies.

In order to create the system online, we required a poker software and acquired a license to the source code of a proprietary software owned by Pokersoft A.V.V. The license included the development of the Skill Poker system incorporating the claims as set forth in the provisional patent application. The system which has been developed is proprietary to Skill Poker and cannot be used by any third parties without prior consent or license from Skill Poker.com Inc. which includes both the software operating Skill Poker and the provisional patent application. Consideration payable to Pokersoft included \$30,000 in cash and the issuance of 3,000,000 shares issued in accordance with Regulation S of the Securities Act of 1933. Ongoing consideration payable to Pokersoft includes a monthly minimum of \$3,000 or 15% of the gross tournament fees earned by Skill Poker, whichever the greater.

Skill Poker was developed during 2003 and was launched for real money play in November of 2003.

On September 15 2003, we changed our name to LegalPlay Entertainment, Inc. On

September 17, 2003, our common stock symbol changed to 'LPLE' on the NASD OTC Bulletin Board.

In an effort to diversify our revenue streams, we purchased the rights, title and interest to a horse racing prediction software. We purchased the software and related customer data from Rich Media Technology Inc. in October 25, 2003 for \$20,000. We own the software system and data outright and therefore there is no further consideration payable.

The software will be operated from a horse racing portal known as DailyHorse.com and will be offered on a monthly recurring subscription basis to consumers. We will also offer the technology on a license basis to gaming related companies such as horse tracks.

Our business strategy remains in the on-line poker industry but is now focused into legal, skill based gaming and intends to own and operate a skill poker card room in the United States and Canada.

#### SUBSEQUENT EVENT

1. On January 6, 2004, we issued 605,000 options under the terms of the 1998 Combined Incentive and Nonqualified stock option plan to employees, officers and directors. These stock options have no vesting provision, with the exercise price at \$0.11 and will expire in two years from the date of issue. On the date of the grant, the market price of the stock was equal to the exercise price.
2. On January 23, 2004, we entered into a letter of intent with GamblingVision Group Inc. whereby GamblingVision will, subject to the conditions of closing, merge with a subsidiary corporation of LegalPlay.

Following our due diligence period, we announced on March 31, 2004 that we would not be completing the transaction to acquire GamblingVision Group Inc. due to our findings that the technology was too premature and was not an immediate fit with our core business of gaming relating products which do not contravene gaming regulations.

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#### DESCRIPTION OF BUSINESS DURING 2003

On February 12, 2003, we entered into an Asset Purchase & Assignment Agreement with Blue Diamond International Capital Inc. of Switzerland for the acquisition of all certain inventions in connection with a patent application for a method of determining skill in a tournament setting and several Internet domain names in connection with the same.

In consideration for the exchange of the assets acquired pursuant to the Assignment Agreement, we have paid Blue Diamond US\$50,000 and issued 3,000,000 common shares in the capital stock of the Company (based on the closing market price of \$0.035 on the date of issue for a total cost of \$105,000).

In addition, Blue Diamond will receive the greater of US\$3,500 per month or 4% of the gross revenue we receive from operating games using the technology of the provisional patent. In the event that we further licensed the technology to a third party, Blue Diamond will also receive 20% of any initial license fee and 4% of the gross revenue of any such licensee.

On March 31, 2003, we entered into a Master License Agreement with Pokersoft Corporation A.V.V. ("Pokersoft") for the purpose of the exclusive development of the Skill Poker system based on our patent pending technology.

We paid Pokersoft an initial license fee of US\$30,000 and issued 3,000,000 shares in its common stock to Pokersoft (based on the closing market price of \$0.018 on the date of issue for a total cost of \$54,000). Pokersoft will receive the greater of US\$3,000 per month or a royalty payment of 15% of the gross revenue we receive from operating games using the patent pending technology. The development cost of the system will be paid in addition to the above.

On April 8, 2003, we announced that we had delivered notice of termination to Trimon Systems Inc. ("Trimon") in relation to a Software Master License Agreement executed on July 31, 2001. We determined that the Trimon software was not providing the expected return on investment.

In accordance with the terms and conditions of the license, there was no expense relating to the termination. We will no longer be required to pay monthly

maintenance fees and will curtail the operations of the existing casinos in the near future.

On September 15, 2003 we also changed our name from Poker.com, Inc to LegalPlay Entertainment Inc. in accordance with shareholder approval received at the annual general meeting held September 9, 2003.

On September 17, 2003, our wholly owned subsidiary, SkillPoker.com, Inc. officially launched a beta for SkillPoker tournaments on www.SkillPoker.com, the first skill based poker site in North America.

On October 25, 2003, we entered into an agreement with Richmedia Technology Inc. to acquire the source code, software application, databases and all other assets in relation to a system of horse handicapping, result prediction and race data management. We paid Richmedia Technology US\$20,000 in total will not be required to pay any ongoing royalties to any parties.

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On November 3, 2003, we received notice from the Supreme Court of British Columbia that we were successful in establishing a substantial connection between the claims Communication Services Inc. was making and the jurisdiction in British Columbia. LegalPlay Entertainment Inc. can therefore pursue its case against Communication Services Inc. in British Columbia in connection with the litigation regarding the URL www.Poker.com. Parallel arbitration proceedings against Ala Corp. remain under way. (See Item 3 Legal Proceedings)

On November 15, 2003, our wholly owned subsidiary, SkillPoker.com officially released the real money, pay-for-play version for SkillPoker tournaments on www.SkillPoker.com. In 2003, we generated marginal revenues from the patent

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pending SkillPoker system considering its launch at the end of the calendar year.

## COMPETITION

The online gaming market is rapidly evolving and intensely competitive and we expect that competition will further intensify in the future. Barriers to entry are minimal, and current and new competitors can launch new sites at a relatively low cost.

We believe that the principal competitive factors in its online market are brand recognition, selection, variety of value-added services, ease-of-use, site content, quality of service, and technical expertise. Many of our potential competitors have longer operating histories, larger customer bases, greater brand recognition and greater financial, marketing and other resources than us. We are aware that certain of our competitors have and may continue to adopt aggressive policies and devote substantially more resources to website and systems development than us. Increased competition may result in reduced operating margins, loss of market share and a diminished brand franchise.

There can be no assurance that we will be able to compete successfully against current and future competitors. New technologies and the expansion of existing technologies may increase the competitive pressures on us.

## INTERNET GAMING COMPANIES

Our research shows that there are a number of public and private companies competing for market share in the internet gaming world. Although we offer licenses at a lesser price than most of our competitors many of our competitors (Cryptologic, World Gaming and Boss Media) have download platforms that are graphically far superior to ours. We, however, are able to provide links whereas some of our competitors may not do so. Following is a description of companies which we currently compete with in the on-line gaming business:

### (1) CryptoLogic Inc. (Toronto Stock Exchange: CRY)

Cryptologic is a well-known licensor in the software/technology side of the industry. It charges licensees an up-front \$250,000 licensing fee for use of its 19 casino games, as well as charging 50% of each licensee's net revenue. CRY has two primary technologies. "E-cash" software is an efficient and secure application that utilizes proprietary real-time cryptographic technology to enable secure Internet commerce and information transmission. Internet casino software was first released in 1996 and

licensed through the wholly-owned subsidiary Internet Overseas Licensing Limited (IOLL). IOLL's 12 licensees comprise one of the largest segments of the online casino market. CRY's expertise consists of: Internet software development; Internet communications; client/server applications; data security and random number generation; international banking; mathematics; 3D graphics; and animation.

(2) World Gaming PLC (NASDAQ OTC BB: WGMGY)

World Gaming is primarily a developer, licensor, and provider of online gaming technology and websites. World Gaming currently offers online gaming services through its own subsidiary that only serves clientele outside of North America, and through another subsidiary licenses turnkey online gaming packages to independent licensees. As at the end of June 1999, World Gaming (Formally Starnet) had launched websites for 42 licensees. Virtual casino offerings include more than 22 different games such as blackjack, pai gow poker, roulette, and craps. A live sports book is also operational.

World Gaming typically charges its licensees a US \$100,000 up-front fee, consulting fees, and a percentage of each licensee's net revenues (based on a graduated calculation from 40% of the first US \$100,000 down to 15% of any net revenues over US \$5,000,000).

(3) Chartwell Technology Inc. (Toronto Stock Exchange, Venture CWH)

Chartwell is a developer of gaming applications and entertainment content for the Internet and wireless platforms using Java and Flash based software products.

(4) Euniverse Inc. (OTC: EUNI.PK)

Euniverse Inc. is one of the largest entertainment and media networks on the internet serving over 50 Million subscribers each month. Through a wholly owned subsidiary, Game Universe Inc., they operate two skill based gaming sites at [www.SkillJam.com](http://www.SkillJam.com) and

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[www.CasesLadder.com](http://www.CasesLadder.com).  
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(5) YouBet.com, Inc. (NASDAQ: UBET)

UBET is a technology company that specializes in live online event wagering. UBET is an innovator in the areas of content development, network deployment, and management services. UBET currently provides an interactive race and sports environment. UBET's Chairman is also the founder and largest shareholder of Silicon Gaming, Inc. (SGIC).

Youbet.com, Inc., which recently changed from YouBet International, Inc. to reflect its interest in developing an e-commerce business, is a development stage company

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engaged in developing PC-based propriety communications software technology to be utilized by consumers for online entertainment purposes. The Company has developed proprietary technology in both the computer and horse racing industries.

YouBet is a "closed-loop" Intranet system operating in selected states.

Thus, the potential market that YouBet can target is narrow. To place a wager on YouBet's system, a customer must open an account with YouBet, open a separate account with Ladbrokes Call-A-Bet, wait for the CD to arrive in the mail, and install it.

We do not compete directly with U-Bet who are primarily in the Sportsbetting business but may do so at such time as we offer a Sportsbook license.

(6) Boss Media AB (Sweden - [www.bossmedia.com](http://www.bossmedia.com))

Boss Media AB, develops turnkey solutions for online casinos. It grants licenses for products needed to create and maintain an online gaming business. Boss Media provides download software, a game server

payment system, website design, a marketing platform and services for a fee of \$250,000. The product line includes "Seven Card Stud" and "Roulette". Its two subsidiaries are located in Antigua. Boss Casinos Ltd. focuses on the daily technical maintenance and operation processing of financial transactions.

(7) MicroGaming - (South Africa)

A private company based in South Africa, MicroGaming develops and sells turnkey Internet casino systems to casino operators and entrepreneurs for a licensing fee of \$100,000 (five casino-based games). MicroGaming also assists in the areas banking services, and general consulting/marketing services.

MicroGaming has marketing offices in Europe and it is managements understanding that they have sold the most gaming licenses on the Internet.

(8) Global InterActive is located in Antigua and we are to an extent, in direct competition to them. The difference between the software that Global uses and ours is the fact that Global offers a download version of its Casino games while we offer Java based Casino Games. Management believes that Global sells their Casino links at an asking price of \$39,900. Global's Casino links are connected to a "Master Casino" which uses World Gaming's software program.

## REGULATION

### GOVERNMENT REGULATION OF THE INTERNET

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We may be subject, both directly and indirectly, to various laws and regulations relating to our business, although there are few laws or regulations directly applicable to selling on-line gaming software on the Internet. However, due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to gaming on the Internet. Such laws and regulations may cover issues such as user privacy, pricing, content, copyrights, distribution and characteristics and quality of products and services.

Furthermore, the growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The enactment of any additional laws or regulations may impede the growth of gaming on the Internet which could, in turn, decrease the demand for our products and services and increase our cost of doing business, or otherwise have an adverse effect on us.

In July 1998, the US Senate voted to largely prohibit gambling on the Internet. Under the legislation, operators of illegal Internet gambling sites based in the USA could be sentenced to up to four years in jail and fined up to \$20,000. Some Internet-based "fantasy" or "rotisserie" sports league activities would be exempt from the ban. However, in August 1998 the US House of Representatives overwhelmingly voted down the legislation. On March 23, 1999, Senator Kyl (R-Arz.) submitted Bill S.692 to the Senate for consideration. The Bill was passed in November 1999 but is still required to be passed by Congress.

In the event the Kyl bill is passed by Congress, the effect on revenue from marketing Antico's card room and Casino could be negatively affected. However, senator Kyl has indicated that if the Bill is passed, the intention is not to charge any American wagering on Internet gaming, but to charge the operator. All the companies sub-licensees operate in off-shore jurisdictions and would not be subject to any US Law.

We do not propose to sell any pure gaming licenses, as our products are either skill based or non wagering related software, we are not subject to the same level of regulation as pure online gaming companies.

There are currently no requirements set out by Government Regulations for approval of Development and/or sale of gaming software or sale of gaming licenses.

We do not operate a gaming site and are therefore not subject to the regulations proposed under the 'Kyl' bill.

The move on the part of the federal government to ban Internet gambling is a departure from gambling policy. The federal government has typically left the issue up to the authority of the state governments, resulting in wide range of attitudes towards gambling. However, as Internet gambling employs interstate telecommunication systems, there is potential for federal regulations to be promulgated. Most states allow some type of gambling, whether it be full casinos, card rooms, pari-mutuel tracks or state-operated lotteries. Only two states, Hawaii and Utah, prohibit all forms of gaming.

#### THE INTERNET GAMBLING FUNDING PROHIBITION ACT

The proposed Internet Gambling Funding Prohibition Act (the "Bill") was introduced to the U.S. House of Representatives on May 10, 2000. The object of the Bill is to prevent the use of certain bank instruments for Internet Gambling, and for other purposes. Section 3 of the Bill would make it illegal to use bank

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instruments to pay entry fees, place bets, collect betting winnings or conduct other gambling activities through the Internet. Covered bank instruments include credit cards, debit cards, electronic fund transfers through money transmitting businesses, checks, bank drafts or similar instruments drawn by or on behalf of a person payable through a financial institution. Section 4 of the Bill is proposed to encourage enactment and enforcement of laws in those countries affected with money laundering, corruption and crime issues in order to prevent Internet gambling and use of financial payment and transfer systems to facilitate Internet Gambling.

This legislation is still being considered by the House of Representatives.

#### THE COMBATING ILLEGAL GAMBLING REFORM AND MODERNIZATION ACT

The bill is the third attempt by US Rep. Bob Goodlatte (R-Va.) to prohibit Internet gambling. The bill would amend the Interstate Wire Act, making it unlawful for gambling businesses to accept bets using any communications facility, including the Internet. The original Interstate Wire Act of 1961 applied only to sports betting using a wire communications facility. Besides this, the bill also contains a provision barring the acceptance of credit or other financial instruments in connection with an interstate bet or wager. On June 18, 2002, the bill was approved by the House Judiciary Committee, but only after several exemptions for state lotteries and the Nevada gaming industry were dropped from the bill. The resulting bill now tends toward a total ban on all forms of Internet gambling.

#### UNLAWFUL INTERNET GAMBLING FUNDING PROHIBITION ACT

This bill is designed to make it illegal for financial institutions to process and accept payments for any Internet gaming business. This includes credit cards, wire transfers, checks and electronic fund transfers. Protection from liability is provided to certain financial intermediaries should their businesses be used unknowingly for Internet gambling transactions. On October 1, 2002, the Leach-LaFalce Bill (HR 556) was passed by the House of Representatives. However the bill never made it through the senate.

#### UNLAWFUL INTERNET GAMBLING FUNDING PROHIBITION ACT

This bill is essentially a reconciliation of the previous HR 556 and HR 3215 and serves the same purposes. It also calls for U.S. officials to work with foreign governments to determine whether offshore Internet gambling sites are being used for money laundering or other crimes. On March 13, 2003 it was approved by the House Financial Services Committee, and now faces a full House vote.

#### STATE ROLE IN PROHIBITION OF INTERNET GAMBLING

Residents in states prohibiting gambling may circumvent anti-gaming laws by logging into the Internet. Several states have taken the initiative to curtail Internet gambling within their borders by taking legal action against the website operators. However, as we do not own or operate a casino or cardroom in the United States of America or in any other jurisdiction nor do we sell casino sub-licenses, links or card-rooms to U.S based companies, there does not appear to be any legal liability that could be incurred by us as a result of an off-shore sub- licensee accepting wagering from North American customers.

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#### OTHER INFORMATION

Neither the Company nor any of its subsidiaries engaged in any research and develop activities during 2003. We do not manufacture any products or engage in any activity that requires compliance with environmental laws.

## EMPLOYEES

As of December 31, 2003, we had five employees, all of whom were based in Vancouver, British Columbia, Canada.

## RISK FACTORS

An investment in our common stock involves a high degree of risk. You should read the following risk factors carefully before purchasing our common stock. The risks and uncertainties described below are not the only ones we face. Other risks and uncertainties, including those that we do not currently consider material, may impair our business. If any of the risks discussed below actually occur, our business, financial condition, operating results or cash flows could be materially adversely affected. This could cause the trading price of our common stock to decline. The terms "we", "our" and "us" refer to the Company.

### Government Regulation of the Internet

We may be subject, both directly and indirectly, to various laws and regulations relating to its business, although there are few laws or regulations directly applicable to selling on-line gaming software on the Internet. However, due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to gaming on the Internet. Such laws and regulations may cover issues such as user privacy, pricing, content, copyrights, distribution and characteristics and quality of products and services.

Furthermore, the growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The enactment of any additional laws or regulations may impede the growth of gaming on the Internet which could, in turn, decrease the demand for our products and services and increase our cost of doing business, or otherwise have an adverse effect on us.

### State Role in Prohibition of Internet Gambling

Residents in states prohibiting gambling may circumvent anti-gaming laws by logging into the Internet. Several states have taken the initiative to curtail Internet gambling within their borders by taking legal action against the website operators. However, as we do not own or operate a casino or cardroom in the United States of America or in any other jurisdiction nor do we sell casino sub-licenses, links or card-rooms to U.S based companies, there does not appear to be any legal liability that could be incurred by us as a result of an off-shore sub- licensee accepting wagering from North American customers.

### Limited Operating History

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We have a short operating history on which to base an evaluation of its business and prospects. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as online commerce. Such risks include, but are not limited to, possible inability to respond promptly to changes in a rapidly evolving and unpredictable business environment and the risk of inability to manage growth. To address these risks, we must, among other things, develop and expand our customer base, successfully implement our business and marketing strategies, continue to develop and upgrade website and transaction-processing systems, provide superior customer service, respond to competitive developments, and attract and retain qualified personnel. If we are not successful in addressing such risks, we may be materially adversely affected.

### Dependence on Continued Growth of Online Commerce

Our long-term viability is substantially dependent upon the widespread consumer acceptance and use of the Internet as a medium of commerce. Use of the Internet as a means of effecting monetary transactions is at an early stage of development, and demand and market acceptance for recently introduced services and products over the Internet remains uncertain. We cannot predict the extent to which consumers will be willing to shift their gaming habits to online casinos.

The Internet may not become a viable commercial marketplace for a number of reasons, including potentially inadequate development of the necessary network infrastructure, delayed development of enabling technologies and inadequate performance improvements. In addition, the Internet's viability as a commercial marketplace could be adversely affected by delays in the development of services or by increased government regulation. Changes in or insufficient availability of telecommunications services to support the Internet also could result in slower response times and adversely affect usage of the Internet generally and us in particular. Moreover, adverse publicity and consumer concern about the security of transactions conducted on the Internet and the privacy of users may also inhibit the growth of commerce on the Internet. If the use of the Internet does not continue to grow or grows more slowly than expected, or if the infrastructure for the Internet does not effectively support growth that may occur, we would be materially adversely affected.

#### Need for Additional Funds

Our capital requirements depend on several factors, including the rate of market acceptance, the ability to develop and expand our customer base, the level of expenditures for sales and marketing, the cost of website development and upgrades, and other factors. If capital requirements vary materially from those currently planned, we may require additional financing sooner than anticipated. Regardless of when needed, there can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. If equity securities are issued in connection with a financing, dilution to our shareholders may result, and if additional funds are raised through the incurrence of debt, we may become subject to restrictions on its operations and finances.

#### Rapid Technological Change

To become and remain competitive, we intend to develop, enhance and improve the responsiveness, functionality and features of proposed sites and develop new features to meet customer needs. The Internet

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is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions and the emergence of new industry standards and practices that could render our proposed websites, technology and systems obsolete. Our success will depend, in part, on its ability to license leading technologies useful in its business, enhance its proposed services, develop new services and technology that address the needs of its proposed customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. If we are unable to use new technologies effectively or develop and adapt its websites, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards, it would be materially adversely affected.

#### System Damage or Failure

Our skillpoker system software is vulnerable to damage from earthquake, fire, floods, power loss, telecommunications failures, break-ins and other unforeseen events. Our business is dependent upon its sub-licensees' communications hardware and computer hardware being operational. A substantial interruption in these systems would adversely affect our business.

#### Dependence on the Communications Infrastructure of the Internet for Transmitting Information

We, and skillpoker system software, utilize electronic communications and the Internet infrastructure to send and receive information. Our future success will depend, in significant part, upon the maintenance and growth of this infrastructure and any failure or interruption may have a material adverse effect on our business. To the extent that this infrastructure continues to experience an increased numbers of users, increased frequency of use and increased bandwidth requirements of users, we cannot be certain that this infrastructure will be able to support the demands placed on it or that the performance or reliability of this infrastructure will not be adversely affected. Outages and delays in sending or receiving data as a result of damage to portions of this infrastructure could also affect our ability to transmit information.

#### Online Security Risks

If our skillpoker system software and controls are unable to handle online

security risks, its business will be adversely affected. These systems use packet filters, fire-walls, and proxy servers which are all designed to control and filter the data. However, advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments may make it easier for someone to compromise or breach the technology used by us and our sub-licensees to protect subscribers' transaction data. If such a breach of security were to occur, we could cause interruptions in services and loss of data or cessation in service. This may also allow someone to introduce a "virus", or other harmful component causing an interruption or malfunction.

To the extent that our activities involve the storage and transmission of information such as credit card numbers, security breaches could damage our reputation and expose us to a risk of loss or litigation and possible liability.

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New business strategy

After completion of our year ended December 31, 2002, we assessed the viability of our business in light of our current legislative condition and determined that our prospects of future profitable operations may be delayed or never realized. As a result, we entered into an agreement to acquire a provisional patent for the method of determining skill in a tournament setting with the intention of discontinuing existing licensing arrangements and developing a business foundation on skill and poker and gaming on the Internet. We intend to explore new business opportunities; however, we cannot assure you that we will successfully enter into a new business or that such business opportunity will be commercially successful.

We do not plan to pay dividends

For the foreseeable future, we do not intend to pay any dividends on its common stock. Any future decision with respect to dividends will depend upon our future earnings, future capital needs and operating and financial condition, among other factors.

Broker-dealers may be discouraged from effecting transactions in our shares because they are considered penny stocks and are subject to the penny stock rules.

Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on NASD broker-dealers who make a market in "a penny stock". A penny stock generally includes any non-NASDAQ equity security that has a market price of less than \$5.00 per share. Our shares are quoted on the OTCBB, and the price of our shares ranged from \$0.02(low) to \$0.26(high) during the year ended December 31, 2003. The closing price of our shares on March 24 was \$0.05. Purchases and sales of our shares are generally facilitated by NASD broker-dealers who act as market makers for our shares. The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt.

In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

ITEM 2. DESCRIPTION OF PROPERTY

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In 2003, we occupied 1,145 square feet of commercial space at #630-1188 West Georgia Street in Vancouver, British Columbia, Canada. This facility housed all

of our operations including technical, marketing and administration for all of our subsidiaries. The annual cost of the space at the West Georgia location was approximately \$18,700 USD.

### ITEM 3. LEGAL PROCEEDINGS

On December 6, 2002, the domain www.poker.com was re-directed without our

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consent or knowledge by Ala Corp., a company registered under the laws of Antigua and whose principal is Liz Bryce of Vancouver, British Columbia, Canada. The domain was originally licensed from Ala Corp. to UniNet Technologies Inc. in 1999. UniNet immediately sub-licensed the domain to us. In turn, we sub-licensed the domain to Antico Holdings S.A. of Costa Rica for the operating casino and/or card rooms. We retained all other rights to the domain name including developing the web site as a portal, marketing casinos and card rooms and other gaming software.

Liz Bryce, through Ala Corp., owns 1,297,900 shares of our common stock or 4.98% of our issued and outstanding common stock. In addition, Ms. Bryce's parents collectively own 1,105,500 shares or 4.24% of our common stock. Ms. Bryce, together with her parents, owns directly and indirectly, a total of 2,403,400 shares or 9.23% of our common stock.

Although contemplated in the agreements between Ala Corp. and Uninet and between Uninet and us, Ala Corp. failed to provide Uninet or us with any notice that it was redirecting the domain. As such, we were unaware of any allegations of contractual breach and management is of the opinion that all obligations as set forth by the terms and conditions of the agreements have been fulfilled and we are not aware of any reason for this dispute.

We have agreed with Uninet to jointly pursue all legal avenues available to retain the exclusive right to use the www.poker.com and to enforce the

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provisions of the agreement between Ala Corp. and Uninet.

After the domain was redirected, Ala Corp. transferred the registered owner of the domain to Communications Services Inc., a company registered in Western Samoa and the registrar was changed from California based Verisign Inc. to Australia based Fabulous.com.

Together with Uninet, we applied to The Internet Corporation for Assigned Names and Numbers (ICANN), a governing body which oversees domain registration and use issues, for the purpose of obtaining a decision on the basis of the wrongful redirection of www.poker.com. ICANN, however, ruled on January 21, 2003 that

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since the domain is now registered in the name of Communication Services Inc., it could only decide on a dispute between Ala Corp., the previous registered owner of the domain and Communications Services Inc. Together with Uninet, we did not have any standing to apply for relief with ICANN since neither of us were ever the registered owner of the domain name.

On February 28, 2003, together with Uninet, we sued Communication Services Inc. in the Supreme Court of British Columbia, Canada for a declaration that as a successor and assignee of Ala Corp., Communications is a trustee of the domain name for the benefit of Uninet and us; an accounting for profits earned by Communication through the wrongful use of the domain name; a declaration that Ala and Communication

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are bound by the License Agreement between Ala and Uninet; a declaration that Uninet and us are entitled to the exclusive use of the domain name.

In addition, together with Uninet, we are presently proceeding to arbitration (in accordance with the terms and conditions of the agreement) with ALA Corp. in Vancouver, British Columbia, Canada to assert Uninet and our rights under the agreements. We are in the process with Ala Corp. at selecting a mutually acceptable arbitrator.

In the meantime, together with Uninet, we requested and the current registrar, Fabulous.com to impose a lock on the domain pending outcome of the Supreme Court action and the arbitration which means the domain cannot be transferred to either another owner or to another registrar.

As mentioned above, we sub-licensed the domain name to Antico Holdings SA of Costa Rica to use the domain for operating casinos and/or card rooms. Antico has notified us that it has ceased all payments of royalties payable to us

pending resolution to the dispute over the right to use the domain. It is anticipated that Antico will allege that we are responsible for damages incurred by Antico as a result of the dispute. We intend to defend any claims and will appropriately claim similarly against Uninet Technologies Inc., ALA Corp. and Communications Services Inc.

Our focus to return the rightful use of the domain Poker.com remains and we are continuing with the process to select a mutually acceptable arbitrator panel.

To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceedings against us. Other than as described above, no director, executive officer or affiliate thereof or owner of record or beneficially of more than five percent of our common stock is a party adverse to or has a material interest adverse to us in any proceeding.

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

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

MARKET INFORMATION

There is no "established trading market" for shares of our common stock. As of March 24, 2004 common stock was quoted on the over-the-counter on the Bulletin Board operated by the National Association of Securities Dealers, Inc. under the symbol "LPLE". No assurance can be given that any "established trading market" for our common stock will develop or be maintained.

The range of high and low closing bid quotations for our common stock during each quarter of the calendar years ended December 31, 2003, and 2002 is shown below, as quoted by Bloomberg, Inc. Prices are inter-dealer quotations, without retail mark-up, markdown or commissions and may not represent actual transactions.

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<TABLE>  
<CAPTION>

STOCK QUOTATIONS

Quarter ended	High Bid	Low Bid
March 31, 2002	\$ 0.27	\$ 0.23
June 30, 2002	\$ 0.26	\$ 0.22
September 30, 2002	\$ 0.10	\$ 0.08
December 31, 2002	\$ 0.03	\$ 0.03
March 31, 2003	\$ 0.02	\$ 0.02
June 30, 2003	\$ 0.05	\$ 0.05
September 30, 2003	\$ 0.14	\$ 0.14
December 31, 2003	\$ 0.13	\$ 0.12

</TABLE>

The future sale of our presently outstanding "unregistered" and "restricted" common stock by present members of management and persons who own more than five percent of our outstanding voting securities may have an adverse effect on any "established trading market" that may develop in the shares of our common stock.

HOLDERS

As at March 3, 2004, we had 40 shareholders of record of common stock, including shares held by brokerage clearing houses, depositories or otherwise in unregistered form. We do not know the beneficial owners of such shares.

## DIVIDENDS

We have not declared any cash dividends with respect to our common stock and do not intend to declare dividends in the foreseeable future. There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our common stock.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

The following table provides the information at the end of December 31, 2003 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the company is authorized for issuance:

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<TABLE>  
<CAPTION>

EQUITY COMPENSATION PLAN INFORMATION			
PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (a))
	(a)	(b)	(c)
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders	960,000	0.02	4,200,000
Equity compensation plans not approved by security holders	Nil	N/A	N/A
TOTAL	960,000	0.02	4,200,000

</TABLE>

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATIONS

You should read the following discussion and analysis in conjunction with the audited consolidated financial statements and notes thereto appearing elsewhere in this annual report on Form 10-KSB.

### OVERVIEW

We operate our business through the three subsidiary companies: Casino Marketing S.A., a Costa Rican registered company which performs technical management for our licensees; 564448 BC Ltd., a British Columbia registered company which performs administrative management services to LegalPlay Entertainment Inc.; and Skill Poker.com Inc., a Washington state registered company incorporated on January 29, 2003, through which the patent pending Skill Poker system is being developed and through which the Skill Poker system is operated.

In 2003, we initiated its development of an on line skill based gaming system through our subsidiary Skill Poker.com Inc. in addition to acquiring a horse handicapping software. Our strategy is to engage in the licensing and operating of Skill Poker card rooms in North America and provide a horse handicapping software which will be offered on a subscription basis online at [www.DailyHorse.com](http://www.DailyHorse.com).

### RESULTS OF OPERATIONS

#### TWELVE MONTHS ENDED DECEMBER 31, 2003 AND TWELVE MONTHS ENDED DECEMBER 31, 2002

General Description Management changed the operational mandate to skill based online gaming in a view of the potential passing of new legislation in the U.S. Senate and Congress. The Company abandoned its pervious casino and poker software gaming license operations and has presented these results on the financial statement as discontinued operations.

Revenue. We had continuing revenue of \$nil and discontinued operations revenue of \$1,136,970 for the twelve months ended December 31, 2003, the discontinued operations revenue of \$2,768,961 for the twelve

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months ended December 31, 2002 has been reclassified and included in discontinued operations. (Please refer the financial statement note 2 and note 16.)

General and Administrative Operating Expenses. Our total general and administrative operating expenses were \$816,956 in fiscal 2003, compared to \$810,055 in fiscal 2002. The major increase in General administrative operating expense during 2003 was primarily due to legal fees associated with the domain name dispute. Legal fees are included in professional fees of \$129,911.

The following general and administrative expenses increased significantly in 2003 compared to 2002:

	2003	Compare to Total	2002	Compare to Total
	Expenses		Expenses	
Professional fees	\$129,911	16%	\$33,516	4%

During the fourth quarter of 2003, the Company was in the process of attempting to develop cost controls and streamline its operations in response to declining working capital.

Net loss for the Year. Net loss for fiscal 2003 was \$607,630 compared to net loss of \$63,864 in fiscal 2002. We had basic net loss of \$0.03 per share in 2003, compared to loss of \$0.00 per share in 2002.

#### LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2003, we had net working capital of \$154,841, including cash and equivalents of \$209,517. At December 31, 2002, we had a net working capital of \$835,452, including cash and cash equivalents of \$458,650.

During the year ended December 31, 2003, the Company used cash in operating activities of \$58,744, cash was used in investing activities of \$ 202,389 and \$12,000 cash has been provided from financing activities mainly due to stock option exercised from employees.

We had no long-term debt obligations at December 31, 2003. We have entered into no derivative financial instrument arrangements to December 31, 2003.

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#### ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LEGALPLAY ENTERTAINMENT INC.  
(FORMERLY POKER.COM, INC.)  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(U.S. DOLLARS)

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CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets	25
Consolidated Statements of Operations	26
Consolidated Statements of Stockholders' Equity	27
Consolidated Statements of Cash Flows	28

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

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TO THE DIRECTORS AND SHAREHOLDERS OF LEGALPLAY ENTERTAINMENT INC. (FORMERLY POKER.COM, INC.)

We have audited the accompanying consolidated balance sheets of LegalPlay Entertainment Inc. (formerly Poker.com, Inc.) as at December 31, 2003 and 2002 and the consolidated statements of operations, stockholders' equity and cash flows for each of the three years ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 consolidated 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 financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the three years ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

"PANNELL KERR FORSTER"

Chartered Accountants

Vancouver, Canada  
February 16, 2004

<TABLE>  
<CAPTION>  
LEGALPLAY ENTERTAINMENT INC.  
(FORMERLY POKER.COM, INC.)  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31  
(U.S. DOLLARS)

	2003	2002
		(note 2)
<S>	<C>	<C>
ASSETS		
CURRENT		
Cash	\$ 209,517	\$ 458,650
Accounts receivable	2,965	894,635
Prepaid expenses and deposits	25,741	0
TOTAL CURRENT ASSETS	238,223	1,353,285
LONG-TERM RECEIVABLE (note 5)	0	22,361
EQUIPMENT AND SOFTWARE (note 6)	203,884	55,598
INTANGIBLE ASSETS (notes 7 and 8)	205,001	55,748

TOTAL ASSETS \$ 647,108 \$1,486,992

LIABILITIES

CURRENT

Accounts payable and accrued liabilities (note 9) \$ 83,382 \$ 517,833

TOTAL LIABILITIES \$ 83,382 517,833

COMMITMENTS AND CONTINGENCIES (notes 8, 13 and 17)

STOCKHOLDERS' EQUITY (note 10)

PREFERRED STOCK, \$0.01 par value, 5,000,000 shares

authorized, no shares issued and outstanding

COMMON STOCK AND PAID-IN CAPITAL

100,000,000 Authorized shares with a par value of \$0.01 each

26,025,000 (2002 - 17,175,000) shares issued and

outstanding 1,857,080 1,624,155

TREASURY STOCK, at cost, 27,000 shares (6,881) (6,881)

SUBSCRIPTIONS RECEIVED 0 32,480

OTHER COMPREHENSIVE INCOME 18,981 17,229

DEFICIT (1,305,454) (697,824)

TOTAL STOCKHOLDERS' EQUITY 563,726 969,159

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$ 647,108 \$1,486,992

See notes to consolidated financial statements.

</TABLE>

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LEGALPLAY ENTERTAINMENT INC.

(FORMERLY POKER.COM, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31

(U.S. DOLLARS)

	2003	2002	2001	
		(note 2)	(note 2)	
<S>	<C>	<C>	<C>	
EXPENSES				
Management and consultant fees (note 11)		231,033	220,706	124,175
Wages	193,732	204,807	326,939	
Professional fees	129,911	33,516	28,106	
Royalties, software and advertising		75,667	0	0
Office supplies and services		64,986	93,988	79,960
Corporation promotion		26,749	106,544	92,234
Rent	18,700	37,931	19,648	
Insurance	18,182	21,989	7,407	
Website marketing		4,176	74,568	261,273
Bad debt	9,240	0	11,000	
Incidental revenues (note 3(g))		(5,380)	0	0
Amortization	49,960	16,006	13,492	
TOTAL EXPENSES		816,956	810,055	964,234

LOSS FROM CONTINUING OPERATIONS (816,956) (810,055) (964,234)

DISCONTINUED OPERATIONS (NOTE 16):

Income from Operations of Discontinued

Segments 24,678 746,191 1,339,855

Gain on Disposal of Discontinued

Segment 184,648 0 0

NET INCOME (LOSS) FOR YEAR \$ (607,630) \$ (63,864) \$ 375,621

WEIGHTED AVERAGE NUMBER OF SHARES  
 OUTSTANDING 23,350,664 17,142,945 16,943,219  
 EARNINGS (LOSS) PER SHARE (note 3)  
 Continuing operations \$ (0.04) \$ (0.06) \$ (0.06)  
 Discontinued operations 0.01 0.06 0.08

EARNINGS (LOSS) PER SHARE \$ (0.03) \$ 0.00 \$ 0.02

DILUTED EARNINGS (LOSS) PER SHARE (note 3)  
 Continuing operations \$ (0.03) \$ (0.04) \$ (0.05)  
 Discontinued operations 0.01 0.04 0.07

DILUTED EARNINGS (LOSS) PER SHARE \$ (0.02) \$ 0.00 \$ 0.02

See notes to consolidated financial statements.

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<CAPTION>

LEGALPLAY ENTERTAINMENT INC.  
 (FORMERLY POKER.COM, INC.)  
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 YEARS ENDED DECEMBER 31  
 (U.S. DOLLARS)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ACCUMULATED OTHER COMPREHENSIVE TREASURY STOCK	TOTAL SUBSCRIPTIONS RECEIVED	TOTAL INCOME/ (LOSS)	DEFICIT	ACCUMULATED STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, at December 31, 2000	16,935,000	\$1,469,235	0	\$ 22,480	\$ 4,755	\$(1,009,581)	\$ 486,889
Net income	0	0	0	0	375,621	375,621	
Foreign currency translation adjustment	0	0	0	0	13,629	0	13,629
Total comprehensive income	0	0	0	0	0	389,250	
Shares issued for cash	15,000	2,250	0	0	0	0	2,250
Subscription received	0	0	0	10,000	0	0	10,000
Stock option benefit	0	118,920	0	0	0	0	118,920
Repurchase of common stock for treasury	0	0	(6,881)	0	0	0	(6,881)
Balance, at December 31, 2001	16,950,000	1,590,405	(6,881)	32,480	18,384	(633,960)	1,000,428
Net loss	0	0	0	0	(63,864)	(63,864)	
Foreign currency translation adjustment	0	0	0	0	(1,155)	0	(1,155)
Total comprehensive income	0	0	0	0	0	(65,019)	
Shares issued for cash on exercise of options	225,000	33,750	0	0	0	0	33,750
Balance, at December 31, 2002	17,175,000	1,624,155	(6,881)	32,480	17,229	(697,824)	969,159
Net loss	0	0	0	0	(607,630)	(607,630)	
Foreign currency translation adjustment	0	0	0	0	1,752	0	1,752
Total comprehensive loss	0	0	0	0	0	(605,878)	

Stock option benefit	0	11,800	0	0	0	0	11,800
Cancellation of agreement	0	0	0	(32,480)	0	0	(32,480)
Shares issued for cash							
on exercise of options	600,000	12,000	0	0	0	0	12,000
Shares issued for consulting services	2,250,000	50,125	0	0	0	0	50,125
Shares issued for intangible assets (note 8(g))	3,000,000	105,000	0	0	0	0	105,000
Shares issued for software (note 8(h))	3,000,000	54,000	0	0	0	0	54,000

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Balance, at  
December 31, 2003      26,025,000 \$1,857,080 \$(6,881) \$ 0 \$18,981 \$(1,305,454) \$ 563,726

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See notes to consolidated financial statements.

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LEGALPLAY ENTERTAINMENT INC.  
(FORMERLY POKER.COM, INC.)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31  
(U.S. DOLLARS)

---

	2003	2002	2001
		(note 2)	(note 2)
<S>	<C>	<C>	<C>
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		\$(607,630)	\$(63,864) \$ 375,621
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Non-cash payment for services		50,125	0 0
Stock option benefit		11,800	0 118,920
Amortization		49,960	16,006 13,492
Changes in non-cash working capital			
Accounts receivable		891,670	(19,245) (419,358)
Prepaid expenses and deposits		(25,741)	17,062 33,167
Accounts payable and accrued liabilities		(434,451)	17,061 (68,626)
Related to discontinued operations		5,523	300,507 150,616
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
		(58,744)	267,527 203,832
<b>INVESTING ACTIVITIES</b>			
Purchase of intangible assets		(50,000)	0 (52,337)
Purchase of equipment and software		(152,389)	(29,270) (81,493)
Collections of long-term receivable		0	33,789 72,000
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>			
		(202,389)	4,519 (61,830)
<b>FINANCING ACTIVITIES</b>			
Subscriptions received		0	0 10,000
Purchase of treasury stock		0	0 (6,881)
Cash proceeds from issuance of common stock			12,000 33,750 2,250
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>			
			12,000 33,750 5,369
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>			
			0 (16,673) (19,619)
<b>INFLOW (OUTFLOW) OF CASH</b>			
		(249,133)	289,123 127,752
<b>CASH, BEGINNING OF YEAR</b>			
		458,650	169,527 41,775
<b>CASH, END OF YEAR</b>			
		\$ 209,517	\$458,650 \$ 169,527

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SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS

Assets received for shares issued	\$ 159,000	\$ 0	\$ 0
Subscription received reversed	\$ 32,480	\$ 0	\$ 0

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See notes to consolidated financial statements.

</TABLE>

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LEGALPLAY ENTERTAINMENT INC.  
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1. INCORPORATION AND NATURE OF OPERATIONS

The Company was incorporated under the laws of the State of Florida on May 3, 1989 as Sparta Ventures Corp. and remained inactive until June 27, 1998. The name was changed to Thermal Ablation Technologies Corporation on October 8, 1998 and then to Poker.com, Inc. on August 10, 1999.

On September 15, 2003 the Company changed its name to LegalPlay Entertainment Inc.

To June 2003, the Company's revenues were from a variety of Internet sources such as sub-licensing of software, marketing and royalty fees (note 16). Subsequently, revenue will be derived from the operation of online skill based poker card rooms and other gaming related software.

In 2003, the Company initiated its development of an on line skill based gaming system through its subsidiary Skill Poker.com Inc. The Company's strategy is to engage in the licensing and operation of Skill Poker card rooms in North America as well as providing a horse handicapping software which will be offered on a subscription basis online.

2. COMPARATIVE FIGURES

The comparative figures for the years ended December 31, 2002 and 2001 have been reclassified to conform to current year's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These financial statements include the accounts of LegalPlay Entertainment Inc. (formerly Poker.com, Inc.) and its wholly-owned subsidiaries, Casino Marketing S.A. ("Casino"), a Costa Rican company, 564448 B.C. Ltd., a Canadian company and Skill Poker.com Inc. ("Skill Poker"), a Washington State, U.S.A company. All significant intercompany balances and transactions have been eliminated.

(b) Amortization

Amortization is calculated using the straight-line method based on the following estimated useful lives:

Furniture	- 2 years
Computer hardware and software	- 3 years

The Company reviews intangible assets to determine if the carrying amount is recoverable based on the estimate of future cash flow expected to result from the use of the asset and its eventual disposition. If in this determination there is an apparent shortfall, the loss will be recognized as a current charge to operations.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Long-Term Assets

The Company reviews long-term assets to determine if the carrying amount is recoverable based on the estimate of future cash flow expected to result from the use of the asset and its eventual disposition. If in this determination there is an apparent shortfall, the loss will be recognized as a current charge to operations

(d) Software Development

The Company applies SFAS No.86 and related interpretations in accounting for its development of computer software. During the year ended December 31, 2003, the Company capitalized web site development costs that are included in "computer software" and will be amortized over the estimated life of three years according to the Company's policy.

(e) Other comprehensive income (loss)

The Company has other comprehensive income (loss) arising from foreign currency translation. Accordingly, other comprehensive income is shown as a separate component of stockholders' equity.

(f) Net income (loss) per share

Net income (loss) per share calculations were based on the weighted average number of common shares outstanding during the year. Diluted net income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the year.

(g) Revenue recognition

The Company will recognize revenues from licensees and customers on an accrual basis according to the terms and conditions of each individual license agreement. Allowances for non-collection of revenues are made when collectibility becomes uncertain.

Each license agreement generates two different types of revenue:

- (i) Sub-license fees for the right to use the poker or casino software.
- (ii) Royalty revenue for the service of managing and marketing the website.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of revenue for each type of revenue is as follows:

(i) Sub-license fees

The sub-license fee is a one-time, non-refundable fee for the right to use the poker/casino software. The Company negotiates different terms of payment for each individual license agreement sold. Typically the revenue on each sub-license is recognized when the website goes live.

(ii) Royalties

Under the terms of each sub-license agreement the licensee is required to pay royalties to the Company for the amount of game traffic at their site over a specified period of time. The royalties are calculated based on the percentage of game traffic (house win or rake) in a given month according to the specific

terms set out in each specified license agreement. The Company records the revenue for these royalties on a monthly basis when the amounts become known.

(iii) Tournament fees

Tournament fees are charged to players who wish to enter a tournament. Depending on the type of tournament to be played, the Company will charge typically ten percent of the tournament buy in. The Company records the revenue for these tournaments on a monthly basis.

(iv) Incidental revenue

Incidental revenue consists of tournament fees derived from the first month since the launch of the Skill Poker card room as well as miscellaneous income.

(v) Other revenue

The revenue from banner advertising is recognized when the ads are placed on the Company's website.

(h) Foreign currency translation

The Company's operations and activities are conducted principally in Canada, hence the Canadian dollar is the functional currency, which is translated into U.S. dollars for reporting purposes as follows:

- (i) Assets and liabilities at the rate of exchange in effect as at the balance sheet date; and
- (ii) Revenues and expenditures at the average rate of exchange for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses arising from this translation of foreign currency are accounted for as other comprehensive income (loss).

(i) Use of estimates

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 amount of assets and liabilities

and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the impairment of assets and useful lives for amortization. Actual results could differ from those estimates and would impact future results of operations and cash flows.

(j) Stock-based compensation

The Company applies the intrinsic value method of accounting as prescribed by APB Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations, in accounting for options granted to employees. As such, compensation expense is recorded on the date of the grant when the market price of the underlying stock exceeds the exercise price. SFAS 123 "Accounting for Stock-based Compensation" establishes accounting and disclosure requirements using the fair value-based method of accounting for stock-based compensation plans. As allowed by SFAS 123, the Company elected to continue to apply the intrinsic value-based method of accounting described above and have adopted the disclosure requirements of SFAS 123.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock options granted to employees, and accordingly, compensation expense of \$1,300 (2002 - NIL; 2001 - \$17,000) was recognized as wage expense. Had compensation expense been determined as provided in SFAS 123 using the Black-Scholes option-pricing model, the pro-forma effect on the Company's net income (loss) and per share amounts would have been as follows:

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

<TABLE>  
<CAPTION>

	2003	2002	2001	
Net income (loss), as reported		\$(607,630)	\$(63,864)	\$ 375,621
Add: Stock-based employee compensation expense under intrinsic value method, included in reporting net income, net of related tax effects	1,300	0	17,000	
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(14,227)	0	(249,000)	
Net income (loss), pro-forma		\$(620,557)	\$(63,864)	\$ 143,621

	2003	2002	2001
Net income (loss) per share, as reported	\$ (0.03)	\$ 0.00	\$ 0.02
Add: Stock-based employee compensation expense per share under intrinsic value method, included in reporting net income, net of related tax effects	0.00	0.00	0.00
Deduct: Total stock-based compensation per share expense determined under fair value based method for all awards, net of related tax effects	(0.00)	(0.00)	(0.01)
Net income (loss) per share, pro-forma	\$ (0.03)	\$ 0.00	\$ 0.01

</TABLE>

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Stock based compensation (Continued)

The fair value of each option grant is calculated using the following weighted average assumptions:

<TABLE>  
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Expected life (years)	1	Not applicable	2
Risk free interest rate	4.00%	Not applicable	5.0%
Expected volatility	143.77%	Not applicable	129.66%
Expected dividend yield	0.0%	Not applicable	0.0%

</TABLE>

(k) Recent accounting pronouncements

- (i) In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements. Interpretation 46 establishes accounting guidance for consolidation of variable interest entities that function to support the activities of the primary beneficiary. Interpretation 46 applies to any business enterprise both public and private that has a controlling interest, contractual relationship or other business relationship with a variable interest entity. The Company has no investment in or contractual relationship or other business relationship with a variable interest entity and therefore the adoption did not have any impact on the Company's consolidated financial position, results of operations or cash flows.
- (ii) On April 30, 2003, the FASB issued Statement No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. Statement 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to Statement 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In addition, Statement 149 clarifies the definition of a derivative by providing guidance on the meaning of initial net investments related to derivatives. Statement 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of Statement 149 did not have any effect on its consolidated financial position, results of operations or cash flows.
- (iii) On May 15, 2003, the FASB issued Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. Statement 150 establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Statement 150 represents a significant change in practice in the accounting for a number of financial instruments, including mandatory redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. Statement 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments as of September 1, 2003. The effect of adopting this statement did not have any impact on its consolidated financial position, results of operations or cash flows.

(iv) In December 2002, the FASB issued SFAS 148, "Accounting for Stock-based Compensation - Transition and Disclosure, an amendment to SFAS 123". SFAS 148 provides two additional transition methods for entities that adopt the preferable method of accounting for stock-based compensation. Further, the statement requires disclosure of comparable information for all companies regardless of whether, when, or how an entity adopts the preferable fair value method of accounting. These disclosures are now required for interim periods in addition to the traditional annual disclosure. The amendment to SFAS 123, which provides for additional methods, are effective for the periods beginning after December 15, 2002, although earlier application is permitted. The amendments to the disclosure requirements are required for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. The Company adopted these requirements effective January 1, 2003.

(v) On April 2002, the FASB issued statement No. 145, Rescission of FASB No. 4 Reporting Gains and Losses from Extinguishment of Debt, and amendment of FASB No. 64 Extinguishment of Debt made to Satisfy Sinking-fund Requirements. This statement also rescinds FASB No. 44 Accounting for intangible Assets of Motor Carriers and also amends FASB No 13 Accounting for leases to eliminate an inconsistency in accounting for sale-leaseback. The adoption did not have a material effect on these consolidated financial statements.

#### 4. FINANCIAL INSTRUMENTS

##### (i) Fair values

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short maturity of these financial instruments.

The long term receivable has been written down to its estimated realizable value.

##### (ii) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. However, with respect to the long-term receivable, the Company is exposed to interest rate risk. This is minimized to the extent that the long-term receivable has been discounted to reflect the maturity date.

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#### 4. FINANCIAL INSTRUMENTS (Continued)

##### (iii) Credit risk

The Company is exposed to credit risk with respect to its accounts receivable. The Company follows a program of credit evaluations of customers and licensees and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

A significant portion of the Company's accounts receivable is due from its master licensee. The liability of the master licensee to meet its obligations could materially impact future operating results.

##### (iv) Foreign exchange risk

The Company translates the results of foreign operations into US currency using rates approximating the weighted average exchange rate for the year. The exchange rate may vary from time to time. This risk

is minimized to the extent foreign capital expansions are financed in foreign dollars.

## 5. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2003 includes \$ 591,048 (2002 - \$591,048) receivable from Antico Holdings S.A. ("Antico"), a corporation that also collects royalties, commissions and fees from various licensees and customers of the Company. This amount is comprised of \$ 496,687 receivable for royalties and \$94,361 receivable for a master license. The revenue related to the licence receivable was recognized when the site went live. The revenue related to royalties receivable is recognized on a monthly basis to match the obligation of the licensee to pay 15% of their net monthly deposits received.

The master license receivable was due at \$6,000 per month, without interest, commencing in 2001 over a 2 year period. Ten payments totalling \$60,000 were received during the year ended December 31, 2002. The payments have been halted by the master licensee until the Domain name dispute has been settled (note 17(b)). The long-term receivable has been discounted to reflect the maturity date.

As at December 31, 2003, as a result of the on-going dispute, the entire amount of both the royalty and long-term receivable have been included in bad debts as referred to in note 14.

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## 6. EQUIPMENT AND SOFTWARE

<TABLE>  
<CAPTION>

	Accumulated		
	Cost	Amortization	Net
<S>	<C>	<C>	<C>
Furniture	\$ 3,471	\$ 2,774	\$ 697
Computer hardware	100,581	57,374	43,207
Computer software	283,768	123,788	159,980
Balance, December 31, 2003	\$387,820	\$ 183,936	\$203,884
Furniture	2,541	2,039	502
Computer hardware	69,646	28,440	41,206
Computer software	109,244	95,354	13,890
Balance, December 31, 2002	\$181,431	\$ 125,833	\$ 55,598

</TABLE>

## 7. INTANGIBLE ASSETS

(a) Pursuant to an agreement dated July 16, 1999, the Company acquired for \$225,000 the exclusive marketing and licensing rights to the Poker.com domain (note 8(a)). The license will revert to ALA Corp. ("ALA"), the owner of the domain, if the Company:

- (i) fails to perform or defaults on the agreement;
- (ii) causes the owner of the domain to be in violation of any law; or
- (iii) becomes insolvent.

Due to the uncertainty surrounding the dispute over the Poker.com URL/Domain name (note 17(b)), management decided to write-down the carrying value of these rights to a nominal amount of \$1 in the year

ended December 31, 2002.

- (b) Pursuant to an agreement dated October 27, 2001, Casino acquired for \$50,000 the exclusive marketing and licensing rights to the Poker.cc domain (note 8(f)).
- (c) Pursuant to an agreement signed February 12, 2003, the Company acquired all certain inventions in connection with a patent application from Blue Diamond International Capital Inc. ("Blue Diamond") of Switzerland (note 8(g)).

## 8. LICENSE AGREEMENTS

### (a) Uninet Technologies

Pursuant to an agreement dated July 16, 1999, the Company obtained the exclusive marketing and licensing rights to the Poker.com domain, from Uninet Technologies ("Uninet"), which obtained the rights from ALA in exchange for 750,000 common shares

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## 8. LICENSE AGREEMENTS (Continued)

and \$100,000. As part of the transaction, an additional 750,000 shares valued at \$125,000 were issued to the officers of the Company as compensation expense. The previous CEO of the Company is also a director of Uninet. The Company is obligated to pay a 4% royalty of any gross revenue including marketing revenues from the casino site to ALA. Title will transfer to the Company once total cumulative royalties exceed \$1,000,000

On December 6, 2002, the Poker.com domain was re-directed without the Company's consent or knowledge by ALA. The Company has ceased all payments of royalties payable to Uninet pending resolution of the dispute over the right to use the domain.

### (b) Starnet Systems International Inc.

Pursuant to an agreement ("Agreement") dated September 14, 2001, the Company purchased a non-transferable license and a single sublicense of Starnet Systems International Inc.'s ("SSII") Internet Casino software in return for the following:

- (i) certain advertising on the Poker.com portal worth \$100,000;
- (ii) monthly fees based on a percentage of net monthly revenue; and
- (iii) an additional minimum \$25,000 per month, which will be waived on a month-to-month basis if the Company can prove that it spent a minimum of \$25,000 per month marketing its website.

The Company is also obligated to spend, on a monthly basis, a minimum of 15% of the previous month's net revenue on the marketing and the promoting of its site.

The Agreement is automatically renewed for a one year period unless the Company gives written notice at least 45 days prior to the end of any one year period. SSII can terminate this Agreement by giving written notice at least 6 months prior to the end of any one year term including the first year of the Agreement.

During the year ended December 31, 2002, SSII ceased to carry on business thereby terminating any business relationship with the Company.

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LEGALPLAY ENTERTAINMENT INC.  
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8. LICENSE AGREEMENTS (Continued)

(c) Chartwell Games Corp. (formerly Gaming Tech Corporation)

Pursuant to an agreement dated November 29, 1999, Casino purchased the following for \$100,000:

- (i) the non-exclusive and non-transferable right to sub-license Chartwell Games Corp.'s ("Chartwell") gaming software; and
- (ii) the right of Casino's sub-licensees to grant the use of the software to end users.

This amount has been capitalized as computer software. Casino is obligated to pay Chartwell a set-up fee for each new sub-licensee and a percentage of gross revenue of every sub-licensee. At December 31, 2002, \$103,014 was included in accounts payable. In the year ended December 31, 2001, management determined the software was obsolete and recorded a loss on disposal of \$94,444.

On May 5, 2002, Chartwell signed a Mutual Release and Termination Agreement that relieved Casino of all liability for the payment of \$103,014 owed to Chartwell for the software that was disposed of by Casino in the year ended December 31, 2002. At December 31, 2003 there is no amount included in accounts payable.

(d) Transnet International S.A.

Pursuant to an agreement dated February 15, 2002, the Company purchased the unlimited right to use, distribute or sublicense Transnet International S.A.'s ("Transnet") poker software. The Company must:

- (i) pay \$30,000 (paid);
- (ii) issue 240,000 (80,000 pre-split) shares of the Company (unissued). These shares were deemed to be issued at \$0.135 (\$0.406 pre-split) each, the last traded price on February 15, 2001; and
- (iii) payment of continuing license fees as agreed of sub-licensees' monthly rate from the tables.

The Company must also pay Transnet for additional sub-licenses at an agreed upon amount.

On July 29, 2003, Transnet sent an account settlement letter that all business between Casino and Transnet has been finalized except for the royalty payment of \$8,169, which is included in accounts payable and accrued liabilities at December 31, 2003.

8. LICENSE AGREEMENTS (Continued)

(e) Trimon Systems Inc.

Pursuant to a Definitive Master License Agreement ("Agreement") dated July 31, 2001, the Company purchased:

- (i) a non-exclusive, non-transferable license to use the software only in connection with the business and to transmit the client software directly or assign the rights to use the software to Antico Holdings SA (a sub-licensee of the Company) only in object code form to end users by means of Electronic Distribution;
- (ii) a non-exclusive, non-transferable license to sell to third

parties sub-license and/or a Master license; and

- (iii) a non-exclusive, non-transferable license to use and to grant to end users the right to use the client software in object code form, only while connected to a server on which the server component of the software is installed.

Consideration was cash upon signing of the agreement and royalty fees, based on net house winnings generated by Master Licensee of the royalties earned from its sub-licensees for the entire term of the Agreement. These will be expensed as incurred.

On April 8, 2003, the Company had delivered notice of termination to Trimon Systems Inc. in relation to a Software Master License Agreement executed on July 31, 2001. In accordance with the terms and conditions of the license, there was no expense relating to the termination. The Company will no longer be required to pay monthly maintenance fees and therefore, discontinued the casino software operations in June 2003.

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## 8. LICENSE AGREEMENTS (Continued)

### (f) Genius Goods Inc. (formerly Syzygy Enterprises Inc.)

Pursuant to an agreement dated October 27, 2001, Casino obtained the exclusive marketing and licensing rights to the Poker.cc domain for \$50,000, from Genius Goods Inc. ("Genius") and John Bottomley. As part of the agreement Casino has agreed to sell Genius an exclusive worldwide sub-license to use the URL Poker.cc for the sole purposes of operating a poker card room and marketing the Poker.cc cardroom. The price of the sub-license is \$50,000 and all parties agreed to exchange the rights to the poker.cc domain as consideration for the sub-license. This amount has been capitalized to intangible assets (note 7). The term of the license expires October 1, 2051. Under the terms of the sub-license, Genius must pay Casino a royalty fee of 60% of the rake earned from the Poker.cc cardroom.

In November 2003, as a result of the Company's primary focus on the operation of the patent pending Skill Poker system, the agreement was amended such that in consideration for the domain name Poker.cc, Genius Goods would accept a Skill Poker sub license. Poker.cc must pay 30% of its gross tournament fees to the Company as a royalty.

### (g) Blue Diamond International Inc.

On February 12, 2003, the Company entered into an Asset Purchase & Assignment Agreement between the Company, its wholly owned subsidiary, Skill Poker.com Inc. and Blue Diamond of Switzerland for the acquisition of all certain inventions in connection with a patent application for a method of determining skill in a tournament setting and several Internet domain names in connection with the same.

The Company, in consideration for the exchange of the assets acquired pursuant to the Assignment Agreement, has paid Blue Diamond \$50,000 cash and issued 3,000,000 common shares in the capital stock of the Company (based on the closing market price of \$0.035 on the date of issue) for a total cost of \$105,000.

In addition, Blue Diamond will receive the greater of \$3,500 per month or 4% of the gross revenue received by the Company from operating games using the technology of the provisional patent. In the event that the technology is further licensed by the Company to a third party, Blue Diamond will also receive 20% of any initial license fee and 4% of the gross revenue of any such licensee.

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LEGALPLAY ENTERTAINMENT INC.  
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8. LICENSE AGREEMENTS (Continued)

(h) Pokersoft Corporation A.V.V.

On March 31, 2003, the Company entered into a Master License Agreement with Pokersoft Corporation A.V.V. ("Pokersoft") for the purpose of the exclusive development of the Skill Poker system based on Pokersoft's patent pending technology.

The Company agreed to pay Pokersoft an initial license fee of \$30,000 (paid) and issue 3,000,000 shares in its common stock to Pokersoft (based on the closing market price of \$0.018 on the date of issue) for a total cost of \$84,000. Pokersoft will receive the greater of \$3,000 per month or a royalty payment of 15% of the gross revenue received by the Company from operating games using the patent pending technology. The development cost of the system will be paid in addition to the above. In year 2003, the accumulated software development cost was \$70,524.

(i) Richmedia Technology Inc.

On October 25, 2003, the Company entered into an agreement with Richmedia Technology Inc. ("Richmedia") to acquire the source code, software application, databases and all other assets in relation to a system of horse handicapping, result prediction and race data management.

In consideration for the acquired assets, the Company paid Richmedia \$20,000 in total. The Company is the sole owner of the proprietary technology and will not be required to pay any ongoing royalties to any parties.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<TABLE>  
<CAPTION>

	2003	2002
<S>	<C>	<C>
Trade payables	\$81,075	\$517,408
Advances from related parties	2,307	425
	\$83,382	\$517,833

</TABLE>

10. STOCKHOLDERS' EQUITY

(a) On August 16, 2001 the Company split its stock on a three-for-one basis. All of the shares and per share amounts presented in these financial statements have been adjusted to give effect to this three-for-one split.

(b) On February 21, 2003, the Company issued 3,000,000 shares of common stock to Blue Diamond for the acquisition of a provisional patent application on a system of playing poker online known as Skill Poker (based on the closing market price of \$0.035 on the date of issue for a total of \$105,000).

10. STOCKHOLDERS' EQUITY (Continued)

- (c) On April 14, 2003, the Company issued 3,000,000 shares of common stock to Pokersoft for the acquisition of a software master license, which will incorporate the patent pending Skill Poker system (based on the closing market price of \$0.018 on the date of issue for a total of \$54,000).
- (d) On June 13, 2003, the Company issued 2,250,000 shares of common stock for consulting services, which were valued at \$50,125 (based on the closing market price on the date the agreement was signed). The Company has recorded such amount in the statement of operations.
- (e) The Company applies FASB 123 and related interpretations in accounting for its stock options granted to consultants, and accordingly, compensation expense of \$10,500 (2002 - \$10,500) was recognized as consulting expense.
- (f) Stock options

The Company may issue up to 6,000,000 shares under the terms of the 1998 Combined Incentive and Nonqualified Stock Option Plan to employees, officers, directors and agents of the Company. Incentive stock options granted to employees holding more than 10% of the total voting power of all classes of stock must have an exercise price of at least 110% of fair market value at date of grant. Options granted to other employees shall have an exercise price of not less than the fair market value at date of grant. Non-qualified stock options may be granted at exercise prices more or less than or equal to the fair market value at date of grant.

The following summarizes the options outstanding and exercisable at December 31, 2003 and 2002 all of which were fully vested at these dates:

<TABLE>  
<CAPTION>

Expiry Date	Exercise Price	Number of Options	
		2003	2002
January 6, 2003 (repriced)	\$ 0.15	0	510,000
Unlimited	\$ 0.02	510,000	0
January 7, 2004 (expired)	\$ 0.02	400,000	0
May 28, 2004	\$ 0.02	25,000	0
October 30, 2004	\$ 0.02	25,000	0
	\$ 0.02	960,000	510,000

</TABLE>

10. STOCKHOLDERS' EQUITY (Continued)

The following table summarizes the Company's stock option activity for the years ended December 31, 2003 and 2002:

<TABLE>  
<CAPTION>

	Weighted	
	Exercise Price	Average Exercise Price
	Number of Options	Per Option Price

<S> <C> <C> <C>

Balance, December 31, 2001	1,531,000	\$	0.15	\$	0.15
Exercised	(225,000)	\$	0.15	\$	0.15
Cancelled	(796,000)	\$	0.15	\$	0.15

---

Balance, December 31, 2002	510,000	\$	0.02	\$	0.02
Granted during year	1,180,000	\$	0.02	\$	0.02
Exercised	(600,000)	\$	0.02	\$	0.02
Cancelled	(130,000)	\$	0.02	\$	0.02

---

Balance, December 31, 2003	960,000	\$	0.02	\$	0.02
----------------------------	---------	----	------	----	------

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</TABLE>

Effective January 6, 2003 all options outstanding were repriced from \$0.15 to \$0.02.

(g) On January 6, 2004, the Company issued 605,000 options under the terms of the 1998 Combined Incentive and Nonqualified stock option plan to employees, officers and directors. These stock options have no vesting provision, with the exercise price at \$0.11 and will expire in two years from the date of issue. On the date of the grant, the market price of the stock was equal to the exercise price.

(h) The Company issued 50,000 common shares to employees and consultants subsequent to year-end as a result of exercise of options.

#### 11. RELATED PARTY TRANSACTIONS

(a) During the year ended December 31, 2003, the Company paid management fees of \$35,750 (2002 - \$3,945; 2001 - 0) to an officer.

(b) During the year ended December 31, 2003, the Company paid management fees of \$29,355 (2002 - \$0 ; 2001 - 0) to a company of which an officer of the Company is a director.

(c) During the year ended December 31, 2003, the Company paid management fees of \$ 0 (2002 - \$150,102; 2001 - \$91,670) to a former officer.

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LEGALPLAY ENTERTAINMENT INC.  
(FORMERLY POKER.COM, INC.)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001  
(U.S. DOLLARS)

---

#### 12. INCOME TAXES

The Company's operating losses for Canadian income tax purposes are approximately \$2,660,000 (2002 - \$1,881,000) which may be carried forward to apply against future income for Canadian tax purposes. Of this amount, approximately \$2,484,000 (2002 - \$1,900,000) may be carried forward to apply against future income for U.S. tax purposes.

Losses for U.S. tax purposes may be carried forward for up to 19 years and begin to expire in 2017.

Expiry of the losses for Canadian income tax purposes is as follows:

<TABLE>  
<CAPTION>

YEAR OF EXPIRY	Amount
<S>	<C>
2005	\$ 150,000
2006	392,000
2007	176,000
2008	498,000

2009	682,000
2010	762,000

-----  
\$ 2,660,000  
=====

</TABLE>

The future benefit of these loss carry-forwards has not been recorded in these consolidated financial statements due to uncertainties regarding the utilization of the future income tax assets.

13. COMMITMENTS

The Company occupies leased premises at an annual rental of \$18,700 under terms of a lease expiring in March 31, 2006.

14. BAD DEBT EXPENSE

As at December 31, 2003, accounts receivable are net of an allowance for bad debts of \$616,025 (2002 - \$671,250). Of the total sales for the year, the Company recognized bad debt expense of \$151,878 (2002- \$734,144) deemed uncollectible by management. These amounts are included in the results of discontinued operations (note 16).

15. SEGMENTED INFORMATION

The majority of the Company's revenues from discontinued operations are derived from a foreign country. The Company's computer hardware is located in a foreign country.

Two sub-licensees contributed approximately 0% and 85%, respectively (2002 - 27%, 34%; 2001 - 37%, 7%) of the total revenues from foreign countries.

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LEGALPLAY ENTERTAINMENT INC.  
(FORMERLY POKER.COM, INC.)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001  
(U.S. DOLLARS)

-----  
16. DISCONTINUED OPERATIONS (Continued)

During the year ended December 31, 2003, the Company received notice from each of their sub-licensees: Antico Holdings S.A., Focusnet Capital Inc. and Microgaming Systems Ltd, that they would be discontinuing their software gaming licenses. As such, the Company does not expect any further revenue from software gaming licensing in relation to these respective customers. Management is of the opinion that the discontinuation of the previous licensees reflects the revised strategy to operate only within the confines of U.S. gaming laws. Given the current mandate of the Company to operate legal online gaming sites and in view of the potential passing of new legislation in the US Senate and Congress, the Company abandoned its software gaming license operations and has presented these results on the financial statements as discontinued operations.

Discontinued operations consisted of the entire operations of the Company's wholly owned subsidiary, Casino Marketing S.A as well as the former operations of the Company related to banner advertising and marketing. As at December 31, 2003, the assets and liabilities of these segments consisted only of cash and accounts receivable of \$33,690 (2002 - \$1,219,580) and accounts payable and accrued liabilities of \$8,169 (2002 - \$487,364).

The previously reported financial statements have thus been reclassified.

<TABLE>  
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Revenue	\$1,136,970	\$2,768,961	\$1,833,397

Income from operations	\$ 24,678	\$ 746,191	\$1,339,855
Gain on disposal	184,648	0	0
-----			
Income from discontinued operations	\$ 209,326	\$ 746,191	\$1,339,855

</TABLE>

17. CONTINGENT LIABILITIES

- (a) At present, the sale of Internet gaming software/licenses is unregulated. As the Internet grows in popularity and use, it is possible that certain laws and regulations will be adopted, which may materially affect the Company's ongoing operations.
- (b) The Company is a plaintiff in a lawsuit initiated by Uninet, the master licensee, against ALA, the owner of the Poker.com URL/Domain name. The master licensee sold a sublicense to the Company, granting it the exclusive use of the URL/Domain name for a period of 99 years. The owner of the URL/Domain name is accused of wrongfully breaching the license agreement by assigning the URL/Domain name to a different company.

The domain dispute may have a negative impact on the Company's ability to market itself based on the domain www.poker.com and may not be able

-----  
to achieve the corresponding revenues from the license agreement with Antico for the use of the

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LEGALPLAY ENTERTAINMENT INC.  
(FORMERLY POKER.COM, INC.)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001  
(U.S. DOLLARS)

-----  
17. CONTINGENT LIABILITIES (Continued)

domain. Additionally, the Company may be subject to damages in relation to the domain dispute, which may impact the ability of the Company to collect the outstanding Antico receivable.

The Company may be responsible for damages in relation to the dispute in respect of the license agreement with Antico and may not be able to fully collect the outstanding receivable of \$591,000.

18. SUBSEQUENT EVENTS

- (i) On January 23, 2004, the Company entered into a letter of intent with GamblingVision Group Inc. ("GamblingVision") whereby GamblingVision will, subject to the conditions of closing, merge with a subsidiary corporation of the Company.

In addition, the proposed merger is subject to the Company completing a private placement in the amount of \$200,000 of which partial proceeds would be used to operate and develop GamblingVision's business.

Following our due diligence period, we announced on March 31, 2004 that we would not be completing the transaction to acquire GamblingVision Group Inc. due to our findings that the technology was too premature and was not an immediate fit with our core business of gaming relating products which do not contravene gaming regulations.

- (ii) On January 6, 2004, the Company issued 605,000 stock options to employees, officers and directors (note 10(g)) with an exercise price of \$0.11 per share and issued 50,000 common shares on exercise of options (note 10(h)) for cash of \$1,000.

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

There have been no disagreements on accounting and financial disclosures from the inception of the Company through the date of this Form 10-KSB. Our financial statements for the last two fiscal years ended December 31, 2003 and 2002, included in this report have been audited by Pannell Kerr Forster, of Vancouver, British Columbia, Canada, as set forth in their report included herein.

#### ITEM 8A. CONTROLS AND PROCEDURES

- i). We maintain disclosure controls and procedures that are designed to ensure that information we are required to disclose in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Within 90 days prior to the date of this report, our management carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in connection with the filing of this Annual Report on Form 10-KSB for the year ended December 31, 2003.

- ii). Management has disclosed, based on the Company's most recent valuation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

The assessment report due in respect of this item is not required of non-accelerated filers prior to fiscal years ending on or after July 15, 2005.

- iii). There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any significant deficiencies or material weaknesses of internal controls that would require corrective action.

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PART III

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

##### IDENTIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Title
Keith Andrews	47	Director
Cecil Morris	73	Director
Mark Glusing	33	President & Acting CFO

##### BACKGROUND OF OFFICERS AND DIRECTORS

###### Keith Andrews

Mr. Keith Andrews has been a member of the board of directors since September 15, 2001. He currently serves as Vice President of Strategic Alliances for VERB

Exchange; a Vancouver based unified communications company. Mr. Andrews ran his own successful consulting firm for 10 years providing services, strategies and contract negotiating skills to major corporations. He has worked with AT&T, Spectra Group, IMG, and Keg restaurants. Mr. Andrews has been responsible for major sponsorship and alliance negotiations involving firms such as Molson Breweries, Labatt's, Nike, Coca Cola, Pepsi, JBL, BOSE, and major sports affinity associations. Mr. Andrews provides leadership and vision in identifying marketing synergies and execution plans that bring value and new opportunities to our business model. Mr. Andrews is also a director of our wholly owned subsidiary Skill Poker.com Inc.

Cecil Morris

Cecil Morris is a retired, freelance business consultant based in Cape Town, South Africa with expertise in software programming and electronics development. Mr. Morris assisted a number of technology companies based in South Africa and internationally during his career and has served as a board member with us since September 10, 2000.

Mark Glusing

Mr. Mark Glusing is our President and acting CFO. Mr. Glusing has a strong background in international business management and finance and previously was a director and the Chief Operating Officer of Immune Network Ltd., a publicly traded biotech company, and is a former director of BC Research Inc., a technology incubator based in Vancouver. Mr. Glusing is a past director of publicly traded Pan Asia Communications Inc. and currently is a director of 649.com Inc. and is President and a director of our wholly owned Skill Poker.com.

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There are no family relationships among our directors or executive officers.

Due in part to the change in business strategy, we are in the process of restructuring our management. Until the restructuring process is complete, Mr. Mark Glusing, our President, serves as the acting CFO.

#### INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

To the best of the registrant's knowledge, during the past five years, no director, executive officer, promoter or control person of the Company:

- (1) has filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or present of such a person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer within two years before the time of such filing;
- (2) were convicted in a criminal proceeding or named subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) were the 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 the following activities:
  - (i) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, associated person of any of the foregoing, or as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director of any investment company, or engaging in or continuing any conduct or practice in connection with such activity;
  - (ii) engaging in any type of business practice;
  - (iii) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or state securities laws or federal commodity laws.
- (4) were the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the

right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activity;

- (5) were found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission to have violated any federal or state securities law and the judgment in such civil finding or find by the Securities and Exchange Commission has not been subsequently reversed, suspended or vacated;

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- (6) were found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

To the best of our knowledge all directors, officers and persons who beneficially owned more than ten percent of our common stock filed timely reports in compliance with Section 16(a).

CODE OF ETHICS

There has not yet been a code of ethics adopted by us due to the restructuring process. Our code of ethics will be adopted once we have completed the restructuring and additional key management positions are filled.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth information with respect to compensation paid by the Company to the Chief Executive Officer and the other highest paid executive officers (the "Named Executive Officer") during the three most recent fiscal years.

<TABLE>  
<CAPTION>

SUMMARY COMPENSATION TABLE

	Long Term Compensation							
	Annual Compensation				Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards SARS (#)	Securities Underlying Options/ (\$)	LTIP Pay outs (\$)	All Other Compensation (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Charlo Barbosa Former President , COO and Director (1)	12/31/00						\$ 33,409	
Michael Jackson Former President, CEO, Secretary and Director (2)	12/31/02 12/31/01 12/31/00						\$ 146,158 \$ 91,671 \$ 37,500	
Christa Taylor Former President, CFO, Secretary and Director (3)	12/31/02 12/31/01 12/31/00	\$ 45,265 \$ 45,331 \$ 35,000						
Mark Glusing President (4)	12/31/03 12/31/02	\$ 86,427 \$ 3,945			\$ 15,750	300,000		

<FN>

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(1) Mr. Barbosa resigned his offices and as a director on November 2, 2000.

(2) Mr. Jackson was appointed CEO, Secretary and elected to the Board of Directors on July 16, 1999. He resigned as Secretary in November 2, 2000 and maintained the offices of President and CEO in addition to his position on the Board of Directors. In September 2001, Mr. Jackson resigned as CEO and as a director. On the resignation of Ms. Taylor in November 2002, Mr. Jackson was again appointed to the offices of President and CEO. He resigned on December 13, 2002 on the appointment of Mr. Glusing as President. All other compensation paid was to a company wholly owned by Mr. Jackson and was for management services.

(3) Ms. Taylor was initially appointed as our CFO and Secretary in November 2000. She was appointed to the Board of Directors on the 2nd of November, 2000. In September 2001, Ms. Taylor resigned as CFO and director and was reappointed CFO and also as the President. In November 2002, Ms. Taylor resigned as President and CFO.

(4) Mr. Glusing was appointed President on December 13, 2002.

</TABLE>

#### OPTIONS/SAR GRANTS

The following table sets forth information with respect to grant the stock appreciation rights by the company to executive officers during the year 2003.

<TABLE>  
<CAPTION>

OPTION/SAR GRANTS IN LAST FISCAL YEAR				
Name	Number of securities underlying options/SARs granted (#)	Percent of total options/SARs granted to employees in fiscal year	Exercise or base price (\$/Sh)	Expiration date
(a)	(b)	(c)	(d)	(e)
<S>	<C>	<C>	<C>	<C>
Mark Glusing	300,000	25.42%	0.02	January 5, 2004
Keith Andrews	200,000	16.94%	0.02	January 5, 2004
Cecil Morris	200,000	16.94%	0.02	January 5, 2004

</TABLE>

#### LONG-TERM INCENTIVE PLAN AWARDS

We do not have any long-term incentive plans that provide compensation intended to serve as incentive for performance to occur over a period longer than one fiscal year, whether such performance is measured by reference to our financial performance, stock price or any other measure.

#### COMPENSATION OF DIRECTORS

There are standard arrangements pursuant to which our directors are compensated for services provided as director. We paid the amount of \$24,000 (\$6,000 2002) to our directors for committee participation or special assignments.

#### REPORT ON REPRICING OF OPTIONS/SAR

We repriced 510,000 options from 0.15 to 0.02 on January 6, 2003.

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

The following table sets forth the beneficial shareholdings of those persons or entities who beneficially hold five percent or more of our common stock as of March 3, 2004 with the computation being based upon 26,075,000 shares of common stock being outstanding.

<TABLE>  
<CAPTION>

-----

Name and Address	Number of Shares Beneficially Owned	Percentage of Class
<S> CEDE & Co.	<C> 15,420,209	<C> 59.14%
Blue Diamond International Capital Inc.	3,000,000	11.51%
Pokersoft A.V.V.	3,000,000	11.51%
Liz Bryce	2,403,400	9.23%
Total	23,823,609	91.39%

<FN>

(1) Liz Bryce owns 1,297,900 shares through her company ALA Corp and collectively with her parents owns 2,403,400 shares or 9.23% of the issued shares of the Company.

#### SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth the shareholdings of our directors and executive officers as of March 3, 2004 based upon nil shares of common stock being outstanding:

<TABLE>  
<CAPTION>

Name and Address	Number of Shares Beneficially Owned	Percentage of Class
<S> Keith Andrews	<C> NIL	<C> N/A
Cecil Morris	NIL	N/A
Mark Glusing	567,000	2.17%
Total	567,000	2.17%

</TABLE>

#### CHANGES IN CONTROL

To the knowledge of management, there are no present arrangements or pledges of the Company securities, which may result in a change of control of the Company.

#### SECURITIES AUTHORIZED FOR ISSUANCE UNDER COMPENSATORY PLANS

The following table includes information as of December 31, 2003 for all compensatory plans previously approved by our security holders and all compensatory plans not previously approved by our security holders.

<TABLE>  
<CAPTION>

EQUITY COMPENSATION PLAN INFORMATION			
PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS		
	(a)	(b)	(c)
<S> Equity compensation plans approved by security holders	<C> 960,000	<C> 0.02	<C> 4,200,000
Equity compensation plans not approved by	Nil	N/A	N/A

security holders

TOTAL	960,000	0.02	4,200,000
-------	---------	------	-----------

</TABLE>

## EQUITY COMPENSATORY PLAN INFORMATION

### 1998 COMBINED INCENTIVE AND NON-QUALIFIED STOCK OPTION PLAN

The Directors adopted the 1998 Combined Incentive and Non-Qualified Stock Option (the "1998 Plan"), approved by our shareholders on 21st of August in 1998, to be administered by the Board of Directors or a Committee of the Board of Directors, to provide stock options as means to attract and retain key employees and consultants. The shares to be offered under the 1998 Plan consist of previously unissued common shares, and are not to exceed 6,000,000 shares in total. The exercise price to be set on granting of the Incentive Stock Options shall not be less than 100% of fair market value on the date of granting and the options may not be for longer than 10 years (110% of fair market value and 5 years in the case of optionees holding more than 10% of the shares of the company). The exercise price to be set on granting of the Non-Qualified Stock Options may be more or less than or equal to the fair market value on the date of granting and the options may not be for longer than 10 years. For both Incentive and Non-Qualified Stock Options, the vesting and exercise schedule may be determined on an individual basis by the Plan Administrator.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### CERTAIN BUSINESS RELATIONSHIPS

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In July 1999, we entered into an agreement with UniNet Technology Inc. for the sub-license of the URL [www.poker.com](http://www.poker.com). At that time, Michael Jackson was our

CEO, Secretary and Director and also a principal and director of UniNet. We paid directly to Michael Jackson 750,000 (1) shares of our common stock as a finder's fee in connection with entering into the sub-license agreement with UniNet of which half was paid to another director.

We were aware that UniNet entered into the initial license agreement with Ala Corp. on the basis that we would immediately enter into a sub-license agreement with UniNet. At the time the agreement between Ala Corp. and UniNet was entered into, Liz Bryce, Ala Corp's principal, owned indirectly 547,900 (1) shares, or 2.1%, of our common stock and together with her parents owned 1,653,400 (1) shares or 6.34% of our common stock. Ala Corp. received a further 750,000 (1) shares on the transactions with UniNet and us to bring the total number of shares owned by Liz Bryce, through Ala Corp. to be 1,297,900 shares or, at that time, 4.98% of our issued and outstanding common stock. With her parents and through Ala Corp. Ms. Bryce owned 2,403,400 shares or 9.23% of our issued and outstanding common stock at the time of the initial license between Ala Corp. and UniNet and the sub-license to us

In addition to the share consideration paid to Mr. Jackson and to Ms. Bryce's company, we are obligated to pay a royalty to Ala Corp. in the amount of 4% of our gross revenue. In 2003, we paid Ala Corp. \$Nil (2002 - 89,140; 2001 - \$96,328; 2000 - \$32,194; 1999 - \$8,000).

In 2003, we paid to Weblink Management S.A., a company of which Michael Jackson is a Director, management fees of \$61,448 (2002 - 143,325; 2001 - \$nil; 2000 - \$nil)

Other than as disclosed, there were no other material transactions, series of similar transactions, to which the Company or any of its subsidiaries was or is to be a party, in which the amount involved exceeded \$60,000 and in which any director or executive officer, or any security holder who is known to the Company to own of record or beneficially more than five percent of the Company's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

(1) All references to shares take into consideration a 3:1 stock split which occurred in July 1999.

### INDEBTEDNESS OF MANAGEMENT

Other than as disclosed, there were no material transactions, series of similar transaction, currently proposed transactions, or series of similar transactions, to which the Company or any of its subsidiaries was or is to be a party, in

which the amount involved exceeded \$60,000 and in which any director or executive officer, or any security holder who is known to the Company to own of record or beneficially more than five percent of the Company's common stock, or any member of the immediate family of any of the foregoing persons, had a material interest.

#### ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

Reports on Form 8-K were filed during the last quarter of year 2003.

##### (a) Exhibits

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<TABLE>

<CAPTION>

Exhibit Number Description

<S> <C>

- |      |  |
|------|--|
| 2.1* | On December 22, 2003 we filed an 8K announcing the launch of PokerPass.com in the UK market.   |
| 2.2* | On November 3, 2003 we filed an 8K announcing our success of clearing a legal hurdle relating to the domain name dispute involving the url poker.com.  |
| 2.3* | On October 29, 2003 we filed an 8K announcing the acquisition of our horse racing software from Richmedia Technology Inc.  |
| 32.1 | Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002 for Mark Glusing, President and Acting Chief Financial Officer of the Company |

</TABLE>

\* Previously filed.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

##### 1. Audit Fees

In 2003, we paid to Pannell Kerr Forster, an Independent firm of Chartered Accountants, auditing fees of \$13,361 (2002 - \$13,389) related to our annual financial statements and review of financial statements included in our Form 10-QSB or 10-KSB for services that are normally provided by the accountants in connection with statutory and regulator filings or engagements for those fiscal years.

##### 2. Audit-Related Fees

There were no additional fees billed in each of the last two fiscal years for assurance and related services by the principal accountant, Pannell Kerr Forster, Chartered Accountants, that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Item 9 (e)(1) of Schedule 14A.

##### 3. Tax Fees

There were no additional aggregate fees billed in 2003 (2002 - \$525) for professional services rendered by the principal accountant, Pannell Kerr Forster Chartered Accountants, for tax compliance, tax advice and tax planning.

##### 4. All Other Fees

There were no additional aggregate fees billed in each of the last two fiscal years for products and services provided by Pannell Kerr Forster Chartered Accountants, other than the services reported in Item 9(e)(1) through 9(e)(3) of Schedule 14A.

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#### SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEGALPLAY ENTERTAINMENT INC.

(Registrant)

/s/ Mark Glusing                      Date: April 14, 2004

-----  
Mark Glusing  
President / Acting CFO

In accordance with Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

/s/ Mark Glusing                      Date: April 14, 2004

-----  
Mark Glusing  
President / Acting CFO

/s/ Keith Andrews                      Date: April 14, 2004

-----  
Keith Andrews  
Director

/s/ Cecil Morris                      Date: April 14, 2004

-----  
Cecil Morris  
Director

SECTION 302 CERTIFICATION

I, Mark Glusing, certify that:

1. I have reviewed this annual report on Form 10-KSB of LEGALPLAY ENTERTAINMENT INC.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statement, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Mark Glusing

Date: April 14, 2004

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Mark Glusing  
President / Acting CFO

CERTIFICATION PURSUANT TO  
18 U.S.C. 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of LegalPlay Entertainment Inc. on form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Glusing, President and Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Mark Glusing  
Mark Glusing  
President, Acting CFO, April 14th, 2004