

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-KSB

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

For the fiscal year ended: DECEMBER 31, 2004

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

LEGALPLAY ENTERTAINMENT INC.

-----  
(Exact name of registrant as specified in its charter)

Florida                      000-29219                      98-0199508

-----  
(State or other jurisdiction of (Commission File (IRS Employer  
incorporation or organization) Number) Identification No.)

Suite 201, 1166 Alberni Street                      V6E 3Z3  
Vancouver, British Columbia, Canada

-----  
(Address of principal executive offices)                      (Zip Code)

Issuer's telephone number  
(including area code)                      (778) 863-2961  
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(Former name, former address and former  
fiscal year, if changed since last report)                      (Zip Code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 or Regulation S-B is not contained herein, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Revenues for the year ended December 31, 2004 were \$0.00.

The aggregate value of the issuer's common stock held by non-affiliates (assuming that the issuer's only affiliates are its' directors, officers and 10% or greater stockholders) of the issuer as of August 29, 2005 was US\$ 185,752.06 based upon the closing bid price of \$0.007 per share of common stock on that date as reported by the NASD Pink Sheets.

REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS

Not applicable.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

August 29, 2005 - 34,075,000 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 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 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.

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<CAPTION>

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## 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](http://www.poker.com), from Uninet Technology Inc. ("Uninet"), and 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 Agreement 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 acquired the exclusive worldwide rights to market the [www.poker.com](http://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. exceeds \$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 was automatically renewed for one-year periods and either party could 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](http://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 earned 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](http://www.poker.com) as a gaming portal, selling software program sub-licenses and casino links for online gaming, marketing and selling banner advertising on our portal.

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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 suite 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 enabled 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 would 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 TransNet International S.A. ("TransNet") with a view to providing us with a new generation poker software license for a term of 50 years. We paid \$30,000 to TransNet and 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 since that time we 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 14th 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 offered: baccarat, black jack, craps, Caribbean poker, let-it-ride poker, pai-gow poker, American roulette, slot machine and video poker. The Trimon software enabled 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 Poker master license to Microgaming Systems Ltd. (a South African/UK Company and one of the largest casino licensors on the Internet) to market on-line multi-player poker software

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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.

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 S.A., amended its original agreement with TransNet whereby the fee payable was reduced 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 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 from 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 ("Blue Diamond"). The provisional patent application covering the method of playing Skill Poker was acquired by us from Blue Diamond 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 (based on the closing market price of \$0.035 on the date of issue for a total cost of \$105,000). On-going consideration payable to Blue Diamond included a monthly minimum payment of \$3,500 or 4% of the gross revenue earned through the operation of Skill Poker, whichever was the greater. In the event that we further licensed the technology to a third party, Blue Diamond would also receive 20% of any initial license fee and 4% of the gross revenue of any such licensee. The provisional patent application, the related trademarks and the operations of Skill Poker were conducted through a wholly owned Washington State subsidiary, SkillPoker.com Inc., which was incorporated in February of 2003.

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In March 2004, SkillPoker and Blue Diamond entered into an Addendum to the original Agreement, whereby they agreed to amend the minimum monthly payment from SkillPoker to Blue Diamond from US\$3,500 to US\$2,500 per month, for a period of six months commencing on March 1 2004.

In consideration for the reduction of the monthly payment, the Company agreed to pay Blue Diamond US\$6,000 in common stock, issued in accordance with Rule 144 based on a 30 day trading average price from the date of the Addendum.

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. SkillPoker.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. SkillPoker.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 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 poker software and on March 31, 2003 acquired a license to the source code of proprietary software owned by Pokersoft Corporation A.V.V. ("PokerSoft") 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 SkillPoker and cannot be used by any third parties without prior consent or license from SkillPoker.com Inc., which includes both the software operating SkillPoker 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 (based on the closing market price of \$0.018 on the date of issue for a total cost of \$54,000). Ongoing consideration payable to Pokersoft includes a monthly minimum of \$3,000 or 15% of the gross tournament fees earned by SkillPoker, whichever the greater. The development cost of the system will be paid in addition to the above.

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 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 pending SkillPoker system. It

became apparent that even though the Skill Poker was a legal way of playing Poker on line (which is illegal), there was no incentive for players that were playing on "illegal" sites to change over to skill poker. LegalPlay came to the conclusion that the business model would not succeed until the U.S Government outlawed all on-line gaming which is logistically almost impossible to achieve.

On September 15 2003, we changed our name to LegalPlay Entertainment, Inc. in accordance with shareholder approval received at the Annual General Meeting held September 9, 2003. On September 17, 2003, our common stock symbol changed to 'LPLE' on the NASD OTC Bulletin Board.

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.

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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On June 1st 2004, PokerSoft sent a demand letter to SkillPoker regarding the lack of payment of the May 2004 invoice in the amount of US\$3,000. The outstanding payment was not made to PokerSoft within the ten days stipulated in their demand letter. On June 15th 2004, SkillPoker received a subsequent letter from PokerSoft giving them notice that, effective immediately, they were terminating the License Agreement, as per Clause 7(a) of the contract.

Our current business strategy is to develop our own Poker software and market the software to on-line gaming sites worldwide.

#### SUBSEQUENT EVENTS

- (i) On February 8th 2005, the Company's Board of Directors resolved to terminate the services of Pannell Kerr Forster Chartered Accountants to perform the audit of the Corporation's 2004 financial statements. This decision is in no way based on Pannell Kerr Forster's performance or services provided to date.

The firm of Amisano Hanson Chartered Accountants has been retained to audit the Corporation's 2004 financial statements. The Company will continue to use the services of Amisano Hanson until resolved otherwise.

On February 16th 2005, the Company made the necessary regulatory filings with the U.S. Securities and Exchange Commission in regards to their change in auditor.

- (ii) The company filed a Form 15-12(g) with the United States Securities and Exchange Commission ("SEC") on March 18th 2005, terminating their obligations as a reporting issuer. At that time, the Company did not have the financial resources to pay the accounting or legal fees which were necessary to complete the regulatory filings for the SEC. As a result of this filing, the company was no longer listed on the OTC-BB and became listed on the Pink Sheets under the trading symbol, LPLE.PK.

- (iii) The Company and SkillPoker were in default under the terms and conditions of the Blue Diamond Agreement who gave written notice to cancel the Agreement and take back the assignment of the inventions.

On April 14th 2005, the parties entered into an Assignment Agreement, where in consideration of the sum of \$1.00, SkillPoker assigned to Blue Diamond the inventions and patents known as:

Country	Serial Number	Filing Date
United States	60/393,736	July 8, 2002
United States	10/614,752	July 8, 2003

- (iv) In October 2001, the Company's wholly-owned subsidiary, Casino Marketing S.A. entered an agreement with Genius Goods Inc. for the exclusive marketing and licensing rights to the Poker.cc domain name. 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 never launched a SkillPoker website and it was later agreed to transfer the URL, poker.cc, back to Genius Goods Inc. The transfer took place on April 22nd 2005 and all dealings between the two companies has been subsequently terminated.
- (v) On April 25th 2005, the Company reached a Settlement Agreement with Ala Corp. regarding the dispute over the URL/domain name and trademark dispute. The Settlement Agreement outlined the following terms:
- Communication Services Inc. will pay to the counsel for Uninet and LegalPlay, Kornfeld Mackoff Silber, in trust, US\$435,000 for distribution to both Uninet and LegalPlay.

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- Ala Corp., and associated parties, agree to transfer to LegalPlay, or as they may direct, all of their right, title or interest in their 2,403,400 common shares of LegalPlay Entertainment.

As a result of the Assignment Agreement that the Company entered into with Uninet (who agreed to finance the legal fees for a share of the URL) on December 29th 2004, assigning 90% of any settlement with Communication Services Inc. or Ala Corp. to Uninet, the Company received a cash settlement of US\$42,000 and 250,000 common shares of LegalPlay.

- (vi) As a result of the URL/domain name dispute between the Company and Ala Corp., Antico Holdings S.A. ("Antico") was unable to continue using the poker.com URL and suffered substantial damages.

As a result, Antico had refused to pay the Company the amount of \$591,048 until the URL had been reinstated and had demanded restitution of the URL or damages

The parties agreed that the damages that Antico suffered substantially exceeded the amount that was owing to LegalPlay. Antico agreed that they would not commence legal action for damages on the condition that LegalPlay write off the debt of \$591,048.

- (vii) As a result of the US\$43,000 cash settlement that the Company negotiated as part of the Settlement Agreement with Ala Corp., they had the financial resources to pay the accounting and legal fees incurred in completing regulatory filings for the SEC. On June 17th 2005, the Company filed an amendment to the Form 15-12(g) previously filed with the SEC on March 18th 2005. The amendment stated that the Company wished to withdraw their request to terminate their obligations as a reporting issuer.
- (viii) On July 15th 2005, the Company issued 900,000 common shares, representing 2.71%, of LegalPlay to the directors of the Company, as settlement for outstanding directors fees totaling US\$9,000. The debt was settled at an exchange price per common share of \$0.01 and the shares were issued under the conditions of Rule 144 and contain the appropriate restrictive legend.

## COMPETITION

The on-line gaming market is rapidly evolving and intensely competitive and we expect that competition will further intensify in the future. Barriers to entry are high.

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 Poker gaming world. We anticipate being able to provide updated and upgraded software at a highly competitive level.

## REGULATION

### GOVERNMENT REGULATION OF THE INTERNET

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

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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.

### OTHER INFORMATION

Neither the Company nor any of its' subsidiaries engaged in any research and development activities during 2004. We do not manufacture any products or engage in any activity that requires compliance with environmental laws.

### EMPLOYEES

As of December 31st 2004, we had no employees.

### 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.

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#### LIMITED OPERATING HISTORY

We have a short operating history on which to base an evaluation of our 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.

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#### 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 new software, the cost of website development and upgrades, and other factors. We will require additional financing sooner than anticipated. 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 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.

#### DEPENDENCE ON THE COMMUNICATIONS INFRASTRUCTURE OF THE INTERNET FOR TRANSMITTING 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 Poker software and controls are unable to handle online security risks, its business will be adversely affected. These systems use packet filters, firewalls, and proxy servers, which are all designed to control and

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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.

#### WE DO NOT PLAN TO PAY DIVIDENDS

For the foreseeable future, we do not intend to pay any dividends on our 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 currently quoted on the Pink Sheets, and the price of our shares ranged from \$0.11(low) to \$0.26(high) during the year ended December 31, 2004. The closing price of our shares on August 29th 2005 was \$0.007. 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

In 2004, 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 \$13,376 USD.

On January 1, 2005, we relocated our offices to Suite 201, 1166 Alberni Street, Vancouver, British Columbia, Canada. The cost of the space at the Alberni Street location is approximately US\$2,400 per annum.

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## ITEM 3. LEGAL PROCEEDINGS

On December 6, 2002, the domain www.poker.com was re-directed without our 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 3.81% of our issued and outstanding common stock. In addition, Ms. Bryce's parents collectively own 1,105,500 shares or 3.24% of our common stock. As of December 31st 2004, Ms. Bryce, together with her parents, owns directly and indirectly, a total of 2,403,400 shares or 7.05% of our common stock. In August 2005, these common shares were transferred from Ms. Bryce and her parents to LegalPlay and Uninet, as part of the Settlement Agreement. Please see "Subsequent Events" on page 5 for further details.

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 agreed with Uninet (who would be entitled to 50% of the URL if they co-joined an action) to jointly pursue all legal avenues available to retain the exclusive right to use www.poker.com and to enforce the 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. ("CSI"), 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

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 CSI. 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 CSI in the Supreme Court of British Columbia, Canada for a declaration that as a successor and assignee of Ala Corp., CSI is a trustee of the domain name for the benefit of Uninet and us:

- an accounting for profits earned by CSI through the wrongful use of the domain name
- a declaration that Ala and Communication 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.

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 CSI was making and the jurisdiction in British Columbia. LegalPlay Entertainment Inc. can therefore pursue its case against CSI in British Columbia in connection with the litigation regarding the URL www.poker.com. Parallel arbitration proceedings against Ala Corp. remain under way.

In 2004, together with Uninet, we proceeded 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 selected the mutually acceptable arbitrator, Fasken Martineau DuMoulin LLP.

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In the meantime, together with Uninet, we requested that the current registrar, Fabulous.com impose a lock on the domain name, www.poker.com, pending the 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 S.A. ("Antico") of Costa Rica to use the domain for operating casinos and/or card rooms. Antico notified us that it had 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 CSI.

In April 2005, we reached an agreement with Antico confirming that the damages that Antico suffered substantially exceeded the amount that was owing to LegalPlay in unpaid royalties. Antico agreed that they would not commence legal action for damages on the condition that LegalPlay write off the outstanding debt. Please see "Subsequent Events" on page 6 for additional details.

On April 25th 2005, the Company reached a Settlement Agreement with Ala Corp. regarding the dispute over the URL/domain name and trademark dispute. Please see "Subsequent Events" on page 5 for additional details.

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 2004.

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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 August 29, 2005 common stock was quoted on the Pink Sheets operated by the National Association of Securities Dealers, Inc. under the symbol "LPLE.PK". 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 2004, and 2003 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.

<TABLE>

<CAPTION>

### STOCK QUOTATIONS

	QUARTER ENDED	HIGH BID	LOW BID
<S>	<C>	<C>	
	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
	March 31 2004	\$ 0.090	\$ 0.070
	June 30 2004	\$ 0.045	\$ 0.025
	September 30 2004	\$ 0.024	\$ 0.020
	December 31 2004	\$ 0.014	\$ 0.013

</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 August 29th 2005, we had 45 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 December 31, 2004 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the company are authorized for issuance:

- 12 -

<TABLE>

<CAPTION>

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION
---------------	--	--	--

	OPTIONS, WARRANTS AND RIGHTS (A)	OPTIONS, WARRANTS AND RIGHTS (B)	PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A)) (C)	
<S>	<C>	<C>	<C>	
Equity compensation plans approved by security holders		Nil	Nil	Nil
Equity compensation plans not approved by security holders		Nil	Nil	Nil
TOTAL		Nil	Nil	Nil

</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.

### RESULTS OF OPERATIONS

#### TWELVE MONTHS ENDED DECEMBER 31, 2004 AND TWELVE MONTHS ENDED DECEMBER 31, 2003

##### General Description

Our current business strategy is to develop our own Poker software and market the software to on-line gaming sites worldwide.

##### Revenue

We had continuing revenue of \$nil and discontinued operations revenue of \$nil for the twelve months ended December 31, 2004, the discontinued operations revenue of \$1,136,970 for the twelve months ended December 31, 2003 has been reclassified and included in discontinued operations. (Please refer to financial statement notes 13.)

##### General and Administrative Operating Expenses

Our total general and administrative operating expenses were \$795,364 in fiscal 2004, compared to \$816,956 in fiscal 2003. The Company was able to cut back on management/consulting fees and wages during the period ended December 31, 2004. Legal fees of \$111,018 are included in the professional fees of \$148,987.

The following general and administrative expenses increased significantly in 2004 compared to 2003:

<TABLE>

<CAPTION>

	COMPARE TO TOTAL 2004		COMPARE TO TOTAL 2003	
	<C>	<C>	<C>	<C>
	EXPENSES	EXPENSES	EXPENSES	EXPENSES
Professional Fees	\$148,987	19%	\$129,911	16%

</TABLE>

During the fourth quarter of 2004, 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 2004 was \$795,364 compared to net loss of \$607,630 in fiscal 2003. We had basic net loss of \$0.03 per share in 2004, which was the same as the loss of \$0.03 per share in 2003.

LIQUIDITY AND CAPITAL RESOURCES

At December 31 2004, we had net working capital deficit of \$155,419, including cash and equivalents of \$78. At December 31, 2003, we had a net working capital of \$154,841, including cash and cash equivalents of \$209,517.

During the year ended December 31 2004, the Company used cash in operating activities of \$325,669, cash was used in investing activities of \$350 and \$116,818 cash has been provided from financing activities mainly due to stock options exercised from employees.

We had no long-term debt obligations at December 31, 2004. We have entered into no derivative financial instrument arrangements to December 31, 2004.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

LEGALPLAY ENTERTAINMENT INC.

(A Development Stage Company)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004 and 2003

(Stated in US Dollars)

-----  
PANNELL KERR FORSTER

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheet of LegalPlay Entertainment Inc. (Formerly Poker.com, Inc.) as at December 31 2003 and the consolidated statements of operations, stockholders' equity and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an 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 audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ Pannell Kerr Forster

Chartered Accountants

Vancouver, Canada  
February 16, 2004

PKF  
INTERNATIONAL

A PARTNERSHIP OF INCORPORATED PROFESSIONALS  
CHARTERED ACCOUNTANTS

AMISANO HANSON

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders,  
LegalPlay Entertainment Inc.  
(A Development Stage Company)

We have audited the accompanying consolidated balance sheet of LegalPlay Entertainment Inc. (A Development Stage Company) and its subsidiaries as of December 31, 2004 and the related consolidated statements of operations, cash flows and stockholders' equity (deficiency) for the year ended December 31, 2004 and the period from January 1, 2004 (Date of Inception of the Development Stage) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of LegalPlay Entertainment Inc. as of December 31, 2003 were audited by other auditors whose report dated February 16, 2004 expressed an unqualified opinion on those financial statements.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of LegalPlay Entertainment Inc. and its subsidiaries as of December 31, 2004 and the results of their operations and their cash flows for the year ended December 31, 2004 and the period from January 1, 2004 (Date of Inception of the Development Stage) to December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has a working capital deficiency, is in the development stage with no established source of revenue and is dependent on its ability to raise capital from shareholders or other sources to sustain operations. These factors, along with other matters as set forth in Note 1, raise substantial doubt that the Company will be able to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada  
August 15, 2005

"AMISANO HANSON"  
Chartered Accountants

<TABLE>  
<CAPTION>

LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
CONSOLIDATED BALANCE SHEETS  
December 31, 2004 and 2003  
(Stated in US Dollars)

ASSETS	2004	2003
<S>	<C>	<C>
Current		
Cash - Note 13	\$ 78	\$ 209,517
Amounts receivable - Notes 4, 6 and 13		44,816 2,965
Prepaid expenses and deposits		3,074 25,741
	47,968	238,223
Equipment - Note 5		- 203,884
Intangible assets and licence agreements - Note 6		3 205,001
	\$ 47,971	\$ 647,108

LIABILITIES

Current		
Accounts payable and accrued liabilities - Notes 6, 9 and 13	\$ 174,345	\$ 83,382
Notes payable - Note 7	29,042	-
	203,387	83,382

STOCKHOLDERS' EQUITY (DEFICIENCY)

Capital stock - Notes 8 and 15		
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 shares authorized with a par value of \$0.01		
33,175,000 (2003: 26,025,000) shares issued and outstanding	1,933,540	1,857,080
Treasury stock, at cost, 27,000 shares (2003: 27,000)	(6,881)	(6,881)
Accumulated other comprehensive income	18,743	18,981
Deficit	(1,305,454)	(1,305,454)
Deficit accumulated during the development stage	(795,364)	-
	(155,416)	563,726
	\$ 47,971	\$ 647,108

</TABLE>

Nature and Continuance of Operations - Note 1  
Commitments - Note 8  
Subsequent Events - Notes 4, 6, 7 and 15

SEE ACCOMPANYING NOTES

<TABLE>

<CAPTION>

LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
for the years ended December 31, 2004 and 2003 and  
the period from January 1, 2004 (Date of Inception of the Development Stage)  
to December 31, 2004  
(Stated in US Dollars)  
-----

	2004	2003	January 1, 2004 (Date of Inception of the Development Stage) to December 31, 2004	
<S>	<C>	<C>	<C>	
General and Administrative Expenses				
Amortization	\$ 84,128	\$ 49,960	\$ 84,128	
Bad debts	-	9,240	-	
Corporation promotion	13,852	26,749	13,852	
Insurance	15,901	18,182	15,901	
Management and consultant fees - Notes 2(k) and 9	78,237	231,033	78,237	78,237
Office supplies and services	29,365	64,986	29,365	
Professional fees	148,987	129,911	148,987	
Rent	13,376	18,700	13,376	
Royalties, software and advertising	69,251	75,667	69,251	
Wages - Note 9	84,258	193,732	84,258	
Website marketing	-	4,176	-	
	-----	-----	-----	
Loss before other items	(537,355)	(822,336)	(537,355)	
	-----	-----	-----	
Other items				
Incidental revenue	5,874	5,380	5,874	
Loss on disposition of equipment - Note 5	(120,106)	-	(120,106)	
Write-down of intangible assets - Note 6	(204,998)	-	(204,998)	
Write-off of notes payable - Note 7	16,776	-	16,776	
Gain on settlement of lawsuit - Note 6	44,445	-	44,445	
	-----	-----	-----	
	(258,009)	5,380	(258,009)	
	-----	-----	-----	
Loss before discontinued operations	(795,364)	(816,956)	(795,364)	
	-----	-----	-----	

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SEE ACCOMPANYING NOTES

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Continued

LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF OPERATIONS  
for the years ended December 31, 2004 and 2003 and  
the period from January 1, 2004 (Date of Inception of the Development Stage)  
to December 31, 2004  
(Stated in US Dollars)  
-----

January 1,  
2004 (Date of  
Inception of the

	2004	2003	Development Stage) to December 31, 2004	
<S>	<C>	<C>	<C>	
Discontinued operations - Note 13				
Income from operations of discontinued segments			-	24,678
Gain on disposal of discontinued segment			-	184,648
	-	209,326	-	
Net loss for the period	\$ (795,364)	\$ (607,630)	\$	(795,364)
Earnings (loss) per share				
Continuing operations	\$ (0.03)	\$	(0.04)	
Discontinued operations		-	0.01	
	\$ (0.03)	\$	(0.03)	
Diluted earnings (loss) per share				
Continuing operations	\$	-	\$	(0.03)
Discontinued operations		-	0.01	
	\$	-	\$	(0.02)
Weighted average number of shares outstanding		26,089,863		23,350,664

</TABLE>

SEE ACCOMPANYING NOTES

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<TABLE>

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LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2004 and 2003 and  
the period from January 1, 2004 (Date of Inception of the Development Stage)  
to December 31, 2004  
(Stated in US Dollars)

	2004	2003	January 1, 2004 (Date of Inception of the Development Stage) to December 31, 2004	
<S>	<C>	<C>	<C>	
Operating Activities				
Net loss for the period	\$ (795,364)	\$ (607,630)	\$	(795,364)
Add (deduct) items not affecting cash:				
Amortization	84,128	49,960		84,128
Issuance of common stock for services		1,000	50,125	1,000
Stock-based compensation	4,460	11,800		4,460
Loss on disposition of equipment	120,106	-		120,106
Write-down of intangible assets	204,998	-		204,998
Write-off of notes payable	(16,776)	-		(16,776)
Gain on settlement of lawsuit	(44,445)	-		(44,445)
Changes in non-cash working capital items:				
Amounts receivable	2,594	891,670		2,594

Prepaid expenses and deposits	22,667	(25,741)	(22,667)
Accounts payable and accrued liabilities	90,963	(434,451)	90,963
Related to discontinued operations	-	5,523	-
	-----	-----	-----
Net cash used in operating activities	(325,669)	(58,744)	(325,669)
	-----	-----	-----
Investing Activities			
Purchase of intangible assets	-	(50,000)	-
Cash proceeds from assets disposition	5,458	-	5,458
Purchase of equipment	(5,808)	(152,389)	(5,808)
	-----	-----	-----
Net cash used in investing activities	(350)	(202,389)	(350)
	-----	-----	-----

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</TABLE>

SEE ACCOMPANYING NOTES

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Continued

LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
for the years ended December 31, 2004 and 2003 and  
the period from January 1, 2004 (Date of Inception of the Development Stage)  
to December 31, 2004  
(Stated in US Dollars)

	2004	2003	January 1, 2004 (Date of Inception of the Development Stage) to December 31, 2004	
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	
Financing Activities				
Notes payable	115,818	-	115,818	
Cash proceeds from issuance of common stock		1,000	12,000	1,000
	-----	-----	-----	
Net cash provided by financing activities		116,818	12,000	116,818
	-----	-----	-----	
Effect of exchange rate changes on cash		(238)	-	(238)
	-----	-----	-----	
Decrease in cash	(209,439)	(249,133)		(209,439)
Cash, beginning of the year		209,517	458,650	209,517
	-----	-----	-----	
Cash, end of the year	\$ 78	\$ 209,517	\$ 78	
	=====	=====	=====	
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	\$ -	\$ -	\$ -	
	=====	=====	=====	
Income taxes (recovery)	\$ (3,934)	\$ 3,645	\$ (3,934)	
	=====	=====	=====	

&lt;/TABLE&gt;

SEE ACCOMPANYING NOTES

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<TABLE>  
<CAPTION>

LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)  
for the years ended December 31, 2004 and 2003  
(Stated in US Dollars)

	Common Shares		Treasury Stock	Accum- ulated Other Subscr- ptions Received	Compre- hensive Income	Deficit		Develo- pment Stage	Total
	Number	Amount				Accum- ulated During the	Deficit		
Balance at December 31, 2002	17,175,000	\$1,624,155		\$ (6,881)	\$ 32,480	\$ 17,229	\$ (697,824)	\$ -	\$ 969,159
Net loss	-	-	-	-	(607,630)	-	(607,630)	-	-
Foreign currency translation adjustment	-	-	-	1,752	-	-	1,752	-	-
Stock option benefit	-	11,800	-	-	-	-	-	11,800	-
Cancellation of agreement	-	-	-	(32,480)	-	-	-	(32,480)	-
Shares issued for cash on exercise of options	600,000	12,000	-	-	-	-	-	12,000	-
Shares issued for consulting services	2,250,000	50,125	-	-	-	-	-	50,125	-
Shares issued for intangible assets	3,000,000	105,000	-	-	-	-	-	105,000	-
Shares issued for software	3,000,000	54,000	-	-	-	-	-	54,000	-
Balance at December 31, 2003	26,025,000	1,857,080		(6,881)	-	18,981	(1,305,454)	-	563,726
Net loss for the year	-	-	-	-	-	(795,364)	(795,364)	-	-
Foreign currency translation adjustment	-	-	-	(238)	-	-	(238)	-	-
Stock-based compensation	-	4,460	-	-	-	-	-	4,460	-
Shares issued for cash on exercise of options	50,000	1,000	-	-	-	-	-	1,000	-
Shares issued for debt	7,000,000	70,000	-	-	-	-	-	70,000	-
Shares issued for accepting the position of director and president	100,000	1,000	-	-	-	-	-	1,000	-
Balance at December 31, 2004	33,175,000	\$1,933,540		\$ (6,881)	\$ -	\$ 18,743	\$(1,305,454)	\$ (795,364)	\$(155,416)

&lt;/TABLE&gt;

SEE ACCOMPANYING NOTES

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LEGALPLAY ENTERTAINMENT INC.  
(A Development Stage Company)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2004 and 2003  
(Stated in US Dollars)

Note 1 Nature and Continuance 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. The Company's business to December 31, 2003 was primarily related to the operations of online gaming. The Company discontinued its business of software gaming license operations and during the year ended December 31, 2004 the Company's intention was to internally develop gaming software and market the software or to acquire a gaming software license to market and sub-license the software.

Commencing January 1, 2004, the Company is in the development stage.

These consolidated financial statements have been prepared on a going concern basis. Since inception of the development stage, January 1, 2004 to December 31, 2004, the Company has yet to achieve profitable operations, has accumulated a total deficit of \$2,100,818 and as at December 31, 2004 has a working capital deficiency of \$155,419. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

The Company anticipates that additional funding will be in the form of equity financing from the sale of common shares. The Company may also seek to obtain short-term loans from the directors of the Company. There are no current arrangements in place for equity funding or short-term loans.

Note 2 Summary of Significant Accounting Policies  
-----

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results may vary from these estimates.

The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 2 Summary of Significant Accounting Policies - (cont'd)  
-----

a) Principles of Consolidation  
-----

These consolidated financial statements include the accounts of LegalPlay Entertainment 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 inter-company balances and transactions have been eliminated.

b) Development Stage Company  
-----

The Company is a development stage company as defined in Statement of Financial Accounting Standards ("SFAS") No. 7. For the purpose of providing cumulative amounts for the statements of operations and cash flows, these amounts consider only those losses for the period from January 1, 2004 to December 31, 2004, the period in which the Company has undertaken a new development stage activity.

c) Equipment and Amortization  
-----

Equipment is recorded at cost. Amortization is calculated using the straight-line method based on the following estimated useful lives:

Furniture - 2 years  
Computer hardware and software - 3 years

d) Impairment of Long-lived Assets  
-----

The Company reports the impairment of long-lived assets and certain intangibles in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets". Certain long-lived assets and identifiable intangibles held by the Company are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Accordingly, the impairment loss is recognized in the period it is determined.

e) Goodwill and Intangible Assets  
-----

The Company has adopted the provisions of SFAS No. 142, "Goodwill and Intangible Assets". Under SFAS No. 142, goodwill and intangible assets with indefinite lives are not amortized but are annually tested for impairment. The determination of any impairment includes a comparison of the estimated future operating cash flows anticipated during the remaining life for the net carrying value of the asset as well as a comparison of the fair value to the book value of the Company or the reporting unit to which the goodwill can be attributed.

f) 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 three years according to the Company's policy.

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 2 Summary of Significant Accounting Policies - (cont'd)  
-----

g) 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.

h) Basic and Diluted Loss Per Share

-----  
The Company reports basic loss per share in accordance with SFAS No. 128, "Earnings per Share". Basic loss per share is computed using the weighted average number of common shares outstanding during the years less shares subject to repurchase. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. These figures have been calculated giving retroactive effect for the forward stock split.

i) Revenue Recognition  
-----

The Company recognizes 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.

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.

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 2 Summary of Significant Accounting Policies - (cont'd)  
-----

i) Revenue Recognition - (cont'd)  
-----

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.

j) 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.

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

k) 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 Stockbased 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 \$Nil (2003 - \$1,300) was recognized as wage expense. Had compensation expense been determined as provided in SFAS 123 using the BlackScholes option-pricing model, the pro-forma effect on the Company's net loss and loss per share amounts would have been as follows:

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 2 Summary of Significant Accounting Policies - (cont'd)

k) Stock Based Compensation - (cont'd)

<TABLE>  
<CAPTION>

	2004	2003
<S>	<C>	<C>

Net loss, as reported		\$(795,364)	\$(607,630)
Add: Stock-based employee compensation expense under intrinsic value method, included in reporting net income, net of related tax effects		-	1,300
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects		(49,506)	(14,227)
		-----	-----
Pro-forma net loss		\$(844,870)	\$(620,557)
		=====	=====
Pro-forma net loss per share		\$ (0.03)	\$ (0.03)
		=====	=====

</TABLE>

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

<TABLE>

<CAPTION>

	2004	2003
	-----	-----
<S>	<C>	<C>
Expected life (years)	2	1
Risk free interest rate	4.00%	4.00%
Expected volatility	182.57%	143.77%
Expected dividend yield	0.0%	0.0%

</TABLE>

The Black-Scholes option pricing model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the Black-Scholes model does not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

The compensation charge associated with options granted to consultants in the amount of \$4,460 (2003: \$10,500) is included in consulting expense for the year ended December 31, 2004.

#### 1) Recent accounting pronouncements

-----

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 2 Summary of Significant Accounting Policies - (cont'd)

-----  
l) Recent accounting pronouncements - (cont'd)  
-----

apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS 123 as originally issued and Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". SFAS 123R does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, employers' Accounting for Employee Stock Ownership Plans". SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The scope of SFAS 123R includes a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Public entities (other than those filing as small business issuers) will be required to apply SFAS 123R as of the first interim or annual reporting period that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. For nonpublic entities, SFAS 123R must be applied as of the beginning of the first annual reporting period beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

Note 3 Financial Instruments  
-----

i) Fair Value

The carrying value of the Company's financial instruments, consisting of cash, amounts receivable, accounts payable and accrued liabilities and notes payable approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

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.

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LegalPlay Entertainment Inc.  
 (A Development Stage Company)  
 Notes to the Consolidated Financial Statements  
 (U.S. dollars)

Note 3 Financial Instruments - (cont'd)

iii) Foreign Currency 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.

iv) Credit Risk

The Company is exposed to credit risk with respect to its amounts 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.

Note 4 Amounts Receivable

Amounts receivable at December 31, 2004 includes \$44,445 with respect to the cash and common share settlement dated April 25, 2005 between the Company and Ala Corp. ("ALA") regarding the dispute over the URL/domain name and trademark (Note 6(a)).

Amounts receivable at December 31, 2004 also includes \$Nil (2003 - \$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 (Note 6(f)).

The master license receivable was due at \$6,000 per month, without interest, commencing in 2001 over a two-year period. Ten payments totalling \$60,000 were received during the year ended December 31, 2002. The master licensee halted the payments until the domain name dispute was settled and the long-term receivable has been discounted to reflect the maturity date. As at December 31, 2003, the entire accounts receivable of \$591,048 was allowed for.

On April 25, 2005, the Company and Antico reached an agreement to permanently waive the \$591,048 owing to the Company, as a 'set-off' against Antico's claim for damages which were a result of the Company's loss of the URL.

Note 5 Equipment

<TABLE>  
 <CAPTION>

	Cost	Accumulated Amortization	Net
	<C>	<C>	<C>
Furniture	\$ -	\$ -	\$ -
Computer hardware	-	-	-
Computer software	-	-	-
Balance, December 31 2004	\$ -	\$ -	\$ -

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

</TABLE>

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 5 Equipment - (cont'd)

During the year ended December 31, 2004, certain of the furniture and computer software was disposed of for proceeds of \$5,458 resulting in a loss of \$8,688. In addition, the remainder of the equipment and computer hardware and software was disposed of for no proceeds and consequently the Company recorded a further loss on disposal of \$111,418.

Note 6 Intangible Assets and License Agreements

- 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 from Uninet Technologies Inc. ("Uninet"). A prior CEO of the Company was also a director of Uninet. The Company was obliged to pay a 4% royalty of any gross revenue including marketing revenues from the casino site to ALA, the owner of the domain. The license would revert to ALA 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 a dispute with ALA over the Poker.com URL/domain name, management decided to write-down the carrying value of these rights to a nominal amount of \$1 in the year ended December 31, 2002.

On April 25, 2005, the Company reached a settlement with ALA. As a result of an Assignment Agreement that the Company entered into with Uninet on December 29, 2004, assigning 90% of any settlement to Uninet, the Company received a cash settlement of \$42,195 and 250,000 of its previously issued common shares. The Company assigned this 90% to Uninet to compensate Uninet for their advancing funds to prosecute the action. As at December 31, 2004, \$44,445 has been included with amounts receivable to recognize the settlement.

- 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, which was to expire on October 1, 2051.

As part of the agreement Casino agreed to sell 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 was \$50,000 and all parties agreed to exchange the rights to the poker.cc domain as consideration for the sub-license. Under the terms of the sub-license, a royalty fee of 60% of the rake earned from the Poker.cc cardroom was to be paid to Casino.

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, the sub-licensee would accept a Skill Poker sub license. Poker.cc would pay 30% of its gross tournament fees to the Company as a royalty.

During the year ended December 31, 2004, the carrying value was written down by \$49,999 to a nominal amount of \$1. Subsequent to December 31, 2004, the URL, Poker.cc, was transferred back to the vendor.

- c) On February 12, 2003, the Company entered into an Asset Purchase and Assignment Agreement between the Company, its wholly owned subsidiary, Skill Poker and Blue Diamond International Inc. ("Blue Diamond") of Switzerland for the acquisition of 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.

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 6 Intangible Assets and License Agreements - (cont'd)

- c) - (cont'd)

The Company, in consideration for the exchange of the assets acquired, 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 was to 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.

In March 2004, the parties entered into an Addendum to the original Asset Purchase and Assignment Agreement, whereby they agreed to amend and defer the minimum monthly payment from SkillPoker to Blue Diamond from \$3,500 to \$2,500 per month, for a period of six months commencing on March 1, 2004. In consideration for the reduction of the monthly payment, the Company agreed to pay Blue Diamond \$6,000 in common stock which is included in accounts payable and accrued liabilities at December 31, 2004.

During the year ended December 31, 2004, the carrying value was written down by \$154,999 to a nominal amount of \$1. Subsequent to December 31, 2004, the patents were assigned back to the vendor.

- d) 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 (issued) to Pokersoft (based on the closing market price of \$0.018 on the date of issue) for a total cost of \$84,000. Pokersoft would 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.

On June 15, 2004, PokerSoft terminated the License Agreement due to the lack of payment of an outstanding invoice.

- e) 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 was required to:
  - 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) pay continuing license fees as agreed of sub-licensees' monthly rate.

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

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 6 Intangible Assets and License Agreements - (cont'd)

e) - (cont'd)

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, 2004 and 2003.

- f) 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 (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.

On April 8, 2003, the Company delivered notice of termination 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 was no longer required to pay monthly maintenance fees and therefore, discontinued the casino software operations in June 2003.

- g) 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.

During the year ended December 31, 2004, the Company abandoned this technology.

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LegalPlay Entertainment Inc.  
 (A Development Stage Company)  
 Notes to the Consolidated Financial Statements  
 (U.S. dollars)

Note 7 Notes Payable  
 -----

Notes payable are comprised of the following:

<TABLE>  
 <CAPTION>

	2004	2003
	-----	-----
<S>	<C>	<C>
Payable to a former officer of the Company; unsecured, non-interest bearing and no specific terms of repayment	\$22,131	\$ -
Payable to an officer of a company related by virtue of significant shareholdings; unsecured, bears interest at a rate of 10% per annum; due March 1, 2005 and July 30, 2005	6,911	-
	-----	-----
	\$29,042	\$ -
	=====	=====

</TABLE>

During the year ended December 31, 2004, the Company wrote-off \$16,776 in notes payable due to a former officer of the Company. The note payable to the officer of the Company was paid subsequent to December 31, 2004.

Note 8 Stockholders' Equity - Notes 2(j), 6 and 15  
 -----

- a) On August 16, 2001 the Company split its stock on a three-for-one basis.
- 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).
- 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) 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.

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LegalPlay Entertainment Inc.  
 (A Development Stage Company)  
 Notes to the Consolidated Financial Statements  
 (U.S. dollars)

Note 8 Stockholders' Equity - Notes 2(j), 6 and 15 - (cont'd)

e) Stock Options - (cont'd)

The following table summarizes the Company's stock option activity for the years ended December 31, 2004 and 2003, all of which were fully vested:

<TABLE>  
 <CAPTION>

	Number of Options	Exercise Price	Weighted Average Exercise Price	
	<C>	<C>	<C>	
Balance, December 31, 2002	510,000	\$ 0.02	\$ 0.02	
Granted	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	
Granted	605,000	\$ 0.11	\$ 0.11	
Exercised	(50,000)	\$ 0.02	\$ 0.02	
Expired	(400,000)	\$ 0.02	\$ 0.02	
Cancelled	(1,115,000)	\$ 0.07	\$ 0.07	
-----				
Balance, December 31 2004	-	\$ -	\$ -	
=====				

</TABLE>

On January 6, 2004, the Company granted 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. On December 30, 2004, the Company's Board of Directors resolved to cancel all options previously granted to employees, contractors, officers and directors.

f) On January 15, 2004, the Company issued 50,000 common shares at \$0.02 per share pursuant to the exercise of stock options.

g) As of December 29, 2004, the Company was in debt to Uninet Technologies Inc. ("Uninet") for the payment of their legal fees,

advanced by Uninet, related to their joint claim against Ala Corp., the owner of the Poker.com URL/domain name.

On December 29, 2004, Uninet agreed to accept common shares in settlement of the debt owing to them. The Company's Board of Directors resolved to settle the debt owed to Uninet by issuing 7,000,000 common shares of the Company at the agreed upon price of \$0.01 per share.

- h) On December 29, 2004, the Company's Board of Directors resolved to issue 100,000 common shares, at an exchange price per common share of \$0.01 to the President of the Company for accepting the position of Director and President of the Company.

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 9 Related Party Transactions - Notes 6 and 7  
-----

The Company incurred the following amounts with directors of the Company and a former officer of the Company:

<TABLE>  
<CAPTION>

	January 1, 2004 (Date of Inception of the Development Stage) to December 31,		
	2004	2003	2004
	<C>	<C>	<C>
Management and consultant fees	\$58,678	\$65,105	\$ 58,678
Wages	1,000	-	1,000
	<u>\$59,678</u>	<u>\$65,105</u>	<u>\$ 59,678</u>

</TABLE>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

At December 31, 2004, accounts payable and accrued liabilities includes \$16,836 (2003: \$2,307) payable to a director of the Company and a former officer of the Company.

During the year ended December 31, 2004, the Company issued 100,000 common shares at \$0.01 to a director of the Company for services.

Note 10 Income Taxes  
-----

The Company's operating losses for Canadian income tax purposes are approximately \$3,058,000 (2003 - \$2,660,000), which may be carried forward to apply against future income for Canadian tax purposes. Of this amount, approximately \$2,738,000 (2003: \$2,484,000) 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 20 years and begin to expire in 2017.

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

<TABLE>  
<CAPTION>

Years of Expiry	Amount
-----------------	--------

-----	-----
<S>	<C>
2005	\$ 150,000
2006	392,000
2007	176,000
2008	498,000
2009	682,000
2010	762,000
2011	398,000
	-----
	\$3,058,000
	-----

</TABLE>

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LegalPlay Entertainment Inc.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
(U.S. dollars)

Note 10 Income Taxes - (cont'd)

-----  
At December 31, 2004, the significant components of the Company's  
future income tax assets are as follows:

<TABLE>  
<CAPTION>

	Total
-----	-----
<S>	<C>
Deferred Tax Assets	
Non-capital losses carryforward	\$ 1,040,000
Valuation allowance for deferred tax asset	(1,040,000)
	-----
	\$ -
	-----

</TABLE>

The amount taken into income as deferred tax assets must reflect that  
portion of the income tax loss carryforwards that is likely to be  
realized from future operations. The Company has chosen to provide an  
allowance of 100% against all available income tax loss carryforwards,  
regardless of their time of expiry.

Note 11 Bad Debt Expense

-----  
As at December 31, 2003, accounts receivable are net of an allowance  
for bad debts of \$616,025. Of the total sales for the year, the  
Company recognized bad debt expense of \$151,878 deemed uncollectible  
by management. These amounts are included in the results of  
discontinued operations (Note 13).

Note 12 Non-cash Transactions

-----  
Investing and financing activities that do not have a direct impact on  
current cash flows are excluded from the cash flow statements.

During the year ended December 31, 2004, the Company:

- issued 100,000 common shares at a value of \$1,000 to an officer  
of the Company for services;
- issued 7,000,000 common shares at \$0.01 per share pursuant to a  
debt settlement agreement for \$70,000.

During the year ended December 31, 2003, the Company:

- issued 6,000,000 common shares at a value of \$159,000 pursuant to agreements for purchase of software and intangible assets;
- issued 2,250,000 common shares at a value of \$50,125 for consulting services.
- the Company reversed a subscription received of \$32,480.

These transactions were excluded from the statement of cash flows.

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LegalPlay Entertainment Inc.  
 (A Development Stage Company)  
 Notes to the Consolidated Financial Statements  
 (U.S. dollars)

Note 13 Discontinued Operations

During the year ended December 31, 2003, the Company received notice from each of their sub-licensees that they would be discontinuing their software gaming licenses. As such, the Company did 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 reflected the revised strategy to operate only within the confines of U.S. gaming laws. Given the mandate of the Company at that time 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 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 and accounts payable and accrued liabilities of \$8,169.

The previously reported financial statements for the year ended December 31, 2003 have been reclassified to disclose discontinued operations.

<TABLE>  
 <CAPTION>

	2004	2003
	-----	-----
<S>	<C>	<C>
Revenue	\$ -	\$1,136,970
	=====	=====
Income from operations	\$ -	\$ 24,678
Gain on disposal	-	184,648
	-----	-----
Income from discontinued operations	\$ -	\$ 209,326
	=====	=====

</TABLE>

Note 14 Segmented Information

The majority of the Company's revenues during the year ended December 31, 2003 from discontinued operations are derived from a foreign country. The Company's computer hardware was located in a foreign country. During the year ended December 31, 2003, the two sub-licenses contributed 0% and 85%, respectively, of the total revenues from foreign countries.

Note 15 Subsequent Events - Notes 4 and 7

-----  
On July 15, 2005, the Company issued 900,000 common shares at \$0.01 per share to the directors of the Company, as settlement for outstanding director's fees totaling \$9,000.

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

On February 8th 2005 we advised our principal independent accountant, Pannell Kerr Forster Chartered Accountants that they were dismissed as the Company's auditors. We hired the accounting firm Amisano Hanson Chartered Accountants as their replacement.

Our decision to change accountants was recommended and approved by the Board of Directors in a resolution dated February 8th 2005. This decision had nothing to do with the performance of the former accountants services. Pannell Kerr Forster's report in the 2002 and 2003 financial statements did not contain any adverse opinion or disclaimer of opinion, nor were the statements modified as to uncertainty, audit scope, or accounting principles.

We did not have any disagreements with Pannell Kerr Forster, either resolved or unresolved from our inception in May 3, 1989 through to the last audited financial statements in December 31, 2003 nor during the interim period from January 1 2004 to September 30, 2004. The Company and Pannell Kerr Forster did not disagree on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to Pannell Kerr Forster's satisfaction, would have caused them to make reference to the subject matter of the disagreement(s) in connection with their report.

We have given Pannell Kerr Forster authorization to fully respond to the inquiries of our new accountants, Amisano Hanson, concerning the previous financial statements audited by Pannell Kerr Forster. There were no limitations placed upon Pannell Kerr Forster, whatsoever.

The fiscal year ending December 31 2004 has been audited by Amisano Hanson. The fiscal years ending December 31 2003, 2002, 2001 and 2000 has been audited by Pannell Kerr Forster.

#### 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, 2004.

(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.

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(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.

#### ITEM 8B. OTHER INFORMATION

There is no information required to be disclosed in a report on Form 8-K, during the fourth quarter of the year covered by this Form 10-KSB, which has not already been reported.

### 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

<TABLE>

<CAPTION>

	NAME	AGE	TITLE
<S>	Cecil Morris	73	Director / President
	John Page	75	Director
	Mark Glusing(1)	34	President and Acting CFO
	Keith Andrews(2)	48	Director
	Gregory Cathcart(3)	33	Director / President

</TABLE>

- (1) Mark Glusing resigned as an officer of LegalPlay Entertainment Inc. on December 29, 2004
- (2) Keith Andrews resigned as a director of LegalPlay Entertainment Inc. on January 7, 2005
- (3) Gregory Cathcart resigned as a director and officer of LegalPlay Entertainment Inc. on February 22, 2005

##### BACKGROUND OF OFFICERS AND DIRECTORS

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. On February 22nd 2005, Mr. Morris was elected as President of the Company.

John Page

Mr. John Page has had extensive business experience in South Africa for the past 45 years. Before retiring in 2002, he operated his own business enterprises. Mr. Page has Board experience as a result of being on the Board of Directors for an international company.

Mark Glusing

-----  
Mr. Mark Glusing was the 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 649.com Inc.

Keith Andrews  
-----

Mr. Keith Andrews was a member of the board of directors from September 15, 2001 to January 7th 2005. He was previously the 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,

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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.

Gregory Cathcart  
-----

Mr. Gregory Cathcart has management experience as part of a Canadian national operation. For the past four years, Mr. Cathcart has been involved in Internet software operations.

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

#### 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;
- (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.

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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 COMPEN- SATION (\$)	STOCK AWARDS (#)	RESTRICTED UNDERLYING OPTIONS/SARS (\$)	SECURITIES LTIP PAYOUTS (\$)	ALL OTHER COMPENSATION (\$)
M. Jackson Former Pres., CEO, Secretary and Director (1)	12/31/2002						\$ 146,158	
Christa Taylor Former Pres., CFO, Secretary and Director (1)	12/31/2002	\$ 45,265						
Mark Glusing Former Pres. and A/CFO (3)	12/31/2002	\$ 3,945						
	12/31/2003	\$ 86,427			\$ 15,750	\$ 300,000		
	12/31/2004	\$ 46,678			\$ 1,110	-		
Gregory Cathcart Former Pres., Director (4)	12/31/2004				\$ 1,000			
Cecil Morris, President and Director (5)	12/31/2002	-						
	12/31/2003	\$ 24,000						
	12/31/2004	\$ 6,000						

</TABLE>

- (1) 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.
- (2) 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.
- (3) Mr. Glusing was appointed President on December 13, 2002. He resigned his position as President on December 29th 2004.
- (4) Mr. Cathcart was appointed as Director and President on December 29th 2004. He resigned as Director and President on February 22nd 2005.
- (5) Mr. Morris was appointed as a Director on September 10, 2000. On February 22nd 2005, Mr. Morris was elected as President of the Company.

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#### 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 2004.

<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> Mark Glusing	<C> NIL	<C> NIL	<C> NIL	<C> N/A
Keith Andrews	NIL	NIL	NIL	N/A
Cecil Morris	NIL	NIL	NIL	N/A

</TABLE>

NOTE: On December 30th 2004, the Board of Directors resolved to cancel all previously issued options.

#### 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 \$12,000 (2003 : \$24,000) to our directors for committee participation or special assignments.

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 August 29, 2005 with the computation being based upon 34,075,000 shares of common stock being outstanding.

<TABLE>  
<CAPTION>

NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS
CEDE & Co. P.O. Box 222, Bowling Green Station New York, NY 10274	18,636,009	54.69%
Liz Bryce Bayview Place "Crosbies, St. Johns, AG	2,403,400	7.05%
PokerSoft Corporation A.V.V. 7 Abraham de Veerstraat Curacao, Netherlands Antilles	3,000,000	8.80%
Uninet Technologies Inc. Suite 212, 1166 Alberni Street Vancouver, BC V6E 3Z3	7,000,000	20.54%

</TABLE>

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- 1 As of December 31st 2004, Liz Bryce owns 1,297,900 shares through her company ALA Corp and collectively, with her parents, owns 2,403,400 shares or 7.05% of the issued shares of the Company. As part of the Settlement Agreement entered into between the Company and Ala Corp. on April 25th 2005, Liz Bryce and her parents agreed to transfer their shareholdings in LegalPlay Entertainment Inc. to the Company and Uninet Technologies Inc.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth the shareholdings of our directors and executive officers as of August 29, 2005 based upon nil shares of common stock being outstanding:

<TABLE>  
<CAPTION>

NAME AND ADDRESS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS
Cecil Morris P.O. Box 1677 Plettenberg Bay, South Africa 6600	650,000	1.90%
John Page 22 Upington Street Villiersdorp, South Africa 6848	250,000	0.07%

</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, 2004 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	(A)	(B)	(C)	
Equity compensation plans approved by security holders	NIL	NIL	N/A	
Equity compensation plans not approved by security holders	NIL	NIL	N/A	
TOTAL	NIL	NIL	N/A	

</TABLE>

#### 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

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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

In July 1999, we entered into an agreement with Uninet Technologies Inc. ("Uninet") for the sub-license of the URL 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 547,9001 shares, or 2.1%, of our common stock and together with her parents owned 1,653,4001 shares or 6.34% of our common stock. Ala Corp. received a further 750,0001 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 2004, we paid Ala Corp. \$Nil (2003 - \$NIL; 2002 - 89,140; 2001 -\$96,328; 2000 - \$32,194; 1999 - \$8,000).

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.

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

Reports on Form 8-K were filed during the last quarter of year 2004 and the first two quarters of 2005.

##### (A) EXHIBITS

<TABLE>

<CAPTION>

EXHIBIT NUMBER DESCRIPTION

<S> <C>

- |      |  |
|------|--|
| 2.1* | On November 12th 2004, we filed an 8K announcing an Agreement with Uninet Technologies Inc.  |
| 2.2* | On December 30th 2004, we filed an 8K announcing the resignation of Mark Glusing as President and the appointment of Gregory Cathcart as Director and President.   |
| 2.3* | On January 18th 2005, we filed an 8K accepting the resignation of Keith Andrews as a Director.   |
| 2.4* | On February 16th 2005, we filed an 8K announcing the termination of our auditors, Pannell Kerr Forster and the appointment of Amisano Hanson Chartered Accountants as their replacement.                   |
| 2.5* | On March 10th 2005, we filed an 8K to announce the resignation of Gregory Cathcart as President, the appointment of Cecil Morris as President and the appointment of John Page as Director of the Company. |
| 2.6* | On July 11th 2005, we filed an 8K regarding a US\$10,000 Promissory Note.  |
| 2.7* | On July 18th 2005, we filed an 8K announcing 900,000 shares for debt issued at \$0.01.   |
| 2.8* | On August 10th 2005, we filed an 8K announcing a Settlement Agreement reached with Communication Services Inc. and Ala Corp. The 8K further announced a Promissory Note in the amount of CDN\$6,000.       |
| 31.1 | Section 302 Certification - Cecil Morris   |
| 31.2 | Section 302 Certification - John Page  |
| 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 Cecil Morris, President and Acting Chief Financial Officer of the Company       |
| 32.2 | Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 for John Page, Director   |

</TABLE>

\* Previously filed.

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

##### 1. AUDIT FEES

In 2004, we recorded fees in respect to Pannell Kerr Forster, an Independent firm of Chartered Accountants, auditing fees of \$17,084 (2003 - \$13,361) 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.

In 2004, we recorded fees in respect to Amisano Hanson, an Independent firm of Chartered Accountants, auditing fees of \$20,000 related to our annual financial statements included in our Form 10-KSB for services that are normally provided by the accountants in connection with statutory and regulator filings or engagements for those fiscal years.

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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, or Amisano Hanson, 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 2004 (2003 - \$NIL) for professional services rendered by the principal accountant, Pannell Kerr Forster Chartered Accountants or Amisano Hanson, 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 or Amisano Hanson, Chartered Accountants, other than the services reported in Item 9(e)(1) through 9(e)(3) of Schedule 14A.

SIGNATURES

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

LEGALPLAY ENTERTAINMENT INC.  
(Registrant)

/s/ Cecil Morris                      Date: August 29, 2005

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Cecil Morris  
Director, President / Secretary

In accordance with the Securities Exchange Act this report has been signed below by the following person(s) on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Cecil Morris                      Date: August 29, 2005

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Cecil Morris  
Director, President / Secretary

/s/ John Page                          Date: August 29, 2005

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John Page  
Director / Treasurer

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SECTION 302 CERTIFICATION

I, Cecil Morris, 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

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/ Cecil Morris

Date: August 29, 2005

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Cecil Morris

Director, President / Secretary

SECTION 302 CERTIFICATION

I, John Page, 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

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/ John Page

Date: August 29, 2005

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John Page  
Director / Treasurer

EXHIBIT 32.1

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this Annual Report on Form 10-KSB for the year ended December 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of NetCo Investments Inc.

/s/ Cecil Morris

Date: August 29, 2005

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Cecil Morris  
Director, President / Secretary

EXHIBIT 32.2

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

The undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that this Annual Report on Form 10-KSB for the year ended December 31, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of NetCo Investments Inc.

/s/ John Page

Date: August 29, 2005

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John Page  
Director / Treasurer