GLOBAL CASINOS INC
Form 10KSB/A
November 25, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-KSB/A-1

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

For the fiscal year ended June 30, 2003

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

For the transition period from ____________ to ____________

Commission file number 0-15415

GLOBAL CASINOS, INC.

(Name of Small Business Issuer in its Charter)

Utah	87-0340206
(State or other jurisdiction of incorporation or organization)	I.R.S. Employer Identification number

5455 Spine Road, Suite C, Boulder, Colorado 80301

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

The Issuer's revenues for the fiscal year ended June 30, 2003 were $2,770,073. As of September 29, 2003, the aggregate market value of the Common Stock of the Issuer based upon the average bid and asked prices of such Common Stock, held by non-affiliates of the Issuer was approximately $336,000. As of September 29, 2003, there were 2,431,360 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant incorporates by this reference the following:

PART IV - EXHIBITS

1. Incorporated by reference from the Company's Registration Statement on Form 10, as amended, SEC file number 0-15415.

2. Incorporated by reference from the Company's Registration Statement on Form S-2, as amended, SEC File No. 33-46060, declared effective May 15, 1992.

3, Incorporated by reference from the Company's Registration Statement on Form S-8, filed with the Commission and effective December 8, 1995.

4. Incorporated by reference from the Company's Registration Statement on Form SB-2, as amended, SEC File No. 33-76204, declared effective August 12, 1994.

5. Incorporated by reference from the Company's Current Report on Form 8-K, dated July 15, 1995, as filed with the Commission on July 31, 1995, as amended on Form 8-K/A-1 filed with the Commission on August 31, 1995.

6. Incorporated by reference from the Company's Current Report on Form 8-K, dated November 19, 1993, as filed with the Commission on December 3, 1993.

7. Incorporated by reference from the Company's Current Report on Form 8-K, dated February 18, 1994, as filed with the Commission on March 3, 1994.

8. Incorporated by reference from the Company's Current Report on Form 8-K, dated April 29, 1994, as filed with the Commission on May 13, 1994.

9. Incorporated by reference from the Company's Current Report on Form 8-K, dated June 3, 1994, as filed with the Commission on June 10, 1994.

10. Incorporated by reference from Casinos U.S.A., Inc.'s Corrected Second Amended Disclosure Statement, dated September 16, 1996, as filed with the Commission on October 31, 1996.

11. Incorporated by reference from the Company's Current Report on Form 8-K, dated August 1, 1997, as filed with the Commission on August 14, 1997.

12. Incorporated by reference from the Company's Current Report on Form 10KSB, dated October 7, 1997, as filed with the Commission on October 14, 1997.

13. Incorporated by reference from the Company's Amended Report on Form 8-K, dated October 7, 1997, as filed with the Commission on October 14, 1997.

14. Incorporated by reference from the Company's Current Report on Form 8-K, dated June 11, 1998, as filed with the Commission on June 15, 1998; as Amended June 11, 1998, and filed with the Commission on July 7, 1998.

15. Incorporated by reference from the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1998, as amended and filed with the Commission on December 23, 1998.

16. Incorporated by reference from the Company's Current Report on Form 8-K as filed with the Commission on January 8, 1999, as amended on Current Report on Form 8-K/A as filed with the Commission on September 2, 1999.

17. Incorporated by reference from the Company's Current Report on Form 8-K dated December 30, 1999 as filed with the Commission on January 14, 2000.

FORWARD LOOKING STATEMENTS

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

PART I

ITEM 1.

DESCRIPTION OF BUSINESS

Overview

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

As of June 30, 2003, Global had one operating subsidiary, which owns and operates the Bull Durham Saloon & Casino ("Bull Durham") located in Black Hawk, Colorado.

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OnSource Spin-Off

During the year ended June 30, 2002, Global declared a stock dividend consisting of its ownership interest in OnSource Corporation, a Delaware corporation ("OnSource"). OnSource had been formed by Global as a wholly owned subsidiary to facilitate the transfer of certain assets to Global's shareholders. The following events have occurred in connection with with the spin-off:

* October 2000: OnSource Corporation formed and organized by Global Casinos
* July 1, 2001: Dropdown of assets and liabilities from Global Casinos to OnSource
* July 1, 2001: OnSource assumes Global Casinos liability under Series C Promissory Notes
* August 6, 2001: Record date established for the spin-off
* October 31, 2001: Holders of Series C Promissory Notes convert into 427,294 shares of OnSource common stock
* March 1, 2002: Transaction Agreement summarizing spin-off entered into by Global Casinos and OnSource
* June 13, 2002: OnSource shares owned by Global Casinos to be spun off and distributed are transferred to a spin-off trust
* September17, 2002: Series of agreements with Astraea Investment Management, L.P. executed restructuring Global Casinos' secured and unsecured notes
* November 10, 2003: Second Amended and Restated Transaction Agreement executed
* November 12, 2003: OnSource registration statement declared effective by the SEC registering the OnSource shares to permit consummation of the spin-off

As of the date of this report, the OnSource shares are in the process of being distributed.
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Global Alaska's operations were conducted through its wholly owned subsidiary, Alaska Bingo Supply, Inc. ("ABS"), an Alaska corporation. ABS is primarily engaged in the distribution of a full line of products, supplies and equipment utilized by licensed gaming organizations in the State of Alaska. Gaming in Alaska is limited to qualified organizations (primarily non-profit groups and municipalities) that operate bingo and pull-tabs games for fund raising purposes. ABS also provides facilities management services to bingo hall operators.

Description of Operations

Casinos U.S.A. - The Bull Durham

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

In October 1995, Casinos U.S.A. filed a voluntary petition under Chapter 11 of the United States Bankruptcy

Code as it was in default under all of its secured obligations encumbering the Bull Durham Saloon and Casino. In January 1997, the Court approved the Debtor's Second Amended Plan of Reorganization (the "Plan"), and in February 1998 the bankruptcy was discharged upon being fully administered.

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

Presently, the casino occupies approximately 7,200 square feet of space located at 110 Main Street in Black Hawk, Colorado. Casinos U.S.A. owns the building in which the Bull Durham operates, subject to three deeds of trust securing a total of $2,125,000 in debt.

In October, 2002, we removed four blackjack tables and replaced them with slot machines. As of June 30, 2003, we operated 176 slot machines. Subsequent to June 30, 2003, we added 5 machines, bringing the current configuration to 181 gaming devices.

New slot machine designs are introduced every year by the equipment manufacturers. Certain games become more popular and older games tend to become less popular. During the past year, we replaced 38 machines. The current popular trend is in the "penny" and "nickel" machines.

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

As we do not have parking facilities available for our customers, we rely totally on "walk-in" traffic and charter bus traffic. This traffic declines during the winter months when the weather deteriorates. We do not have a full service restaurant. Some of our competitors provide extensive food service, including Las Vegas style buffets. We have not yet installed "cashless tickets" capability on our slot machines. This technology is new and has not yet been embraced by gaming patrons in Colorado.

Bankruptcy Plan of Reorganization. Under the terms of the Bankruptcy Plan of Reorganization which was confirmed in 1997, the creditors holding the three deeds of trust encumbering the Bull Durham property also held warrants exercisable to purchase up to 80% of the equity securities of Casinos U.S.A. The warrants were exercisable for nominal cost, but only in the event there occurs certain triggering events, such as a sale of the property or a substantial refinancing. If the debts underlying the deeds of trust are amortized and paid in full, the warrants terminate. However, the existence of the warrants restricted the Company's ability to undertake certain transactions without the consent of the creditors. The warrants were waived under the terms of a debt restructuring that become effective during FY 2003.

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

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

* Astraea agreed to waive accrued and unpaid interest and fees under an unsecured $500,000 note (the "Astraea Unsecured Note").

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* Astraea agreed to extend the maturity date of the Astraea Unsecured Note to 2007, and to reduce the rate of interest thereon to seven percent (7%) per annum.

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* Astraea agreed that there would be a moratorium on payments on the Astraea Unsecured Note for 30 months.

* Global Casinos and Astraea agreed that the Astraea Unsecured Note would be assigned to and assumed by Casinos, U.S.A. and be secured by one hundred percent (100%) of the outstanding shares of common stock of Casinos, U.S.A. (which owns the Bull Durham) and a security interest in the tangible and intangible assets of Casinos, U.S.A.

* It was agreed that Global would continue to manage the Bull Durham for a management fee of $10,000 per month. Global Casinos has agreed to provide Astraea with certain financial reporting and inspection rights going forward.

* Astraea has agreed to restructure its two mortgage notes against the Bull Durham to provide for interest at the rate of seven percent (7%) with a thirty-year amortization and an extended maturity date to 2009. Astraea also agreed to defer installment payments on its two secured promissory notes to the extent of one hundred percent (100%) of each such installments until an aggregate deferral totaling $100,000 is reached, but in no event more than one (1) year. Deferred installment payments will be set aside and used for working capital purposes and capital expenditures at the Bull Durham which are approved by Astraea. Any expenses incurred by Astraea in connection with the restructure of the indebtedness will be added to the principal balances of its secured notes and repaid as part of the balloon payment at the maturity date of such note. Debt to third parties associated with the gaming equipment located at the Bull Durham has been restructured with the agreement of the vendor.

* junior secured mortgage notes encumbering the Bull Durham would be restructured to bear interest at the rate of four percent (4%) per annum and amortized in a straight line over a term of thirty (30) years, with a seven-year balloon;

* All debt associated with gaming equipment located at the Bull Durham is required to be restructured to the satisfaction of Astraea.

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

* Global Casinos granted to Astraea an option exercisable after March 17, 2005 to purchase all of the issued and outstanding shares of common stock of Casinos, U.S.A. for a purchase price of $100. Global Casinos may redeem the option by paying to Astraea an amount sufficient to retire in full the $500,000 promissory note held by Astraea and assumed by Casinos, U.S.A. together with interest at the rate of twelve percent (12%) per annum.

* The Board of Directors of Casinos, U.S.A. was reconstituted to consist of persons approved by Astraea and the Colorado Division of Gaming, and the voting shares of Casinos, U.S.A. have been made subject to a voting agreement to enforce this agreement.

* Arrangements have been made to restructure a note payable from the Bull Durham to Global Casinos to permit debt service by Global Casinos on a note held by a third party.

* The warrants to purchase shares of Casinos U.S.A. and the participation in net cash flow provided for under Casinos U.S.A.'s Chapter 11 Bankruptcy Plan of Reorganization were cancelled.

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

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

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

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

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

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

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

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

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

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Competition. Competition in the gaming industry in the United States is intense. There are numerous competitors engaged in the same business as the Company, and the Company's operations also compete with other forms of gaming activities, such as Bingo, Lotto, table games, sports betting and pari-mutuel wagering. Competition in Black Hawk, Colorado is particularly intense as competitors are in very close proximity to the Company's operations. There are now 22 casinos operating in the Black Hawk market. Additionally, there are 5 casinos located approximately one mile west in Central City. The Bull Durham Casino is relatively small in comparison to the other casinos in the market. There are currently 9,582 slot machines in the Black Hawk market and 1,599 in the Central City market. The 9,582 slot machines represent a 13% increase in Black Hawk in the last year. Based upon the number of slot machines in Black Hawk, The Bull Durham represents only 1.9% of the market. The average win per device for the Bull Durham is less then the average for all casinos in Black Hawk. As a result the Bull Durham net win represents less than 1% of the market. The Bull Durham attempts to stay competitive by providing personal customer service and state-of-the-art gaming devices. We developed a direct mail marketing campaign that targets repeat customers as part of our efforts to maintain market share.

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The 1991 referendum that authorized gaming in Colorado limited casinos to three mountain towns, Black Hawk, Central City, and Cripple Creek. There are two Native American casinos in Colorado, both in the southwest region of the state. However, future referendums could expand gaming to other locations. Other forms of legal gaming in Colorado include lottery games, dog and horse racing, and bingo.

It is possible that additional forms of gaming could be authorized. Colorado does not currently allow video lottery terminals ("VLT"). VLT's are games of chance similar to slot machines that generate a random set of numbers to be displayed on a video screen. Winning bets are rewarded with a ticket that can be exchanged for cash. An initiative to legalize VLT's is on the ballot for the November 2003 general election. If approved, the initiative will allow VLT's at five racetracks, all located along the Colorado Front Range. The VLT's, if approved, would be regulated by the Colorado Lottery, a regulatory body that is separate from the Gaming Commission. VLT gaming could compete with slot machines

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

Global Central - Tollgate (discontinued)

Background. Effective August 7, 1999, the Company entered a Lease and Option Agreement (the "Lease") following which it leased the Tollgate Casino and Saloon in Central City, Colorado. The Company obtained gaming and casino licenses and opened the Tollgate for operation in August 1999. The Tollgate was closed effective July 31, 2000 due to substantial operating losses.

Global Central also engaged in the purchase and sale of marketable trading securities consisting primarily of equity instruments. The Company terminated its trading activities on April 1, 2002.

Employees

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

The Bull Durham operates with an on-site general manager. During fiscal 2003, the Bull Durham employed a total of 36 people, including both full and part-time employees as follows:

	Full-Time	Part-Time	Total Employees
Bull Durham Casino	26	10	36

The company is not part of any collective bargaining agreement. There have been no work stoppages and the company believes its employee relations are good.

Intellectual Property

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

Consultants

Since July 1, 2001, Gunpark Management LLC, has been providing us with certain management, clerical and administrative services. Mr. Jennings, our Chief Executive/Financial Officer, is a member of Gunpark Management LLC. Mr. Jennings and Gunpark Management provide similar services to other companies. We are charged our pro-rata share of the expenses associated with the services we receive.

ITEM 2.

DESCRIPTION OF PROPERTY

Corporate Offices

The Company leases approximately 4,200 square feet of space in Boulder, Colorado for use as its corporate offices. The lease requires monthly payments of approximately $3,500 and expires in 2006.

Operating Subsidiaries

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

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

ITEM 3.

LEGAL PROCEEDINGS

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

Securities and Exchange Commission

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

Civil Litigation

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

Other Matters

Other Matters. The Company customarily has numerous indebtedness and trade payables that have matured and as to which the Company is currently in default. The Company routinely engages in active dialog with each of its creditors, although from time to time the Company is sued for collection.

At June 30, 2003 there were outstanding promissory notes held by non-affiliated third parties totaling approximately $417,973 in principal and $417,418 in accrued and unpaid interest. These notes are unsecured, fully matured, and in default. The Series A preferred stock issued by Global contained a mandatory redemption requirement. The Company is currently unable to redeem those outstanding shares in the amount of $401,000 and is in default of that requirement. The Company has been unable to pay the dividends on its Series C preferred stock and is in arrears in the amount of $14,634. While the Company communicates with these creditors in an effort to settle their claims, there can be no assurance that it will be successful in these efforts.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's shareholders during the quarter ended June 30, 2003.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The outstanding shares of Common Stock are traded over-the-counter and quoted in the "pink sheets" published by the OTC Electronic Bulletin Board under the symbol "GBCS". The reported high and low bid and ask prices for the common stock are shown below for the period from July 1, 2001 through September 30, 2003.

	Bid		Ask	
	High	Low	High	Low
2002 Fiscal Year				
July - Sept 2001	$0.26	$0.13	$0.38	$0.13
Oct - Dec 2001	0.13	0.08	0.25	0.05
Jan - Mar 2002	0.21	0.03	0.41	0.13
Apr - June 2002	0.21	0.03	0.40	0.15
2003 Fiscal Year				
July - Sept 2002	$0.16	$0.02	$0.51	$0.11
Oct - Dec	0.12	0.02	0.40	0.02

2002				
Jan - Mar 2003	0.10	0.02	0.25	0.02
Apr - June 2003	0.11	0.03	0.25	0.03
2004 Fiscal Year				
July - Sept 2003	$0.15	$0.03	$0.25	$0.04

The bid and ask prices of the Company's common stock as of September 29, 2003 were $.07 and $.25, respectively, as reported on the Pink Sheets LLC. The Pink Sheet prices are bid and ask prices which represent prices between broker-dealers and do not include retail mark-ups and mark-downs or any commissions to the broker-dealer. The prices do not reflect prices in actual transactions. As of September 30, 2003, there were approximately 735 record owners of the Company's common stock and approximately 2,000 beneficial owners.

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

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

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

Results of Operations - Fiscal Year Ended June 30, 2003 Compared to the Fiscal Year Ended June 30, 2002

Casino Operation. Total casino revenues for the year ended June 30, 2003 increased by $81,693 or 3% to $2,770,073 from $2,688,380 in 2002. We attribute the increased revenues to the increased number of slot machines in our casino. We removed four Blackjack table games and replaced them with slot machines. We now operate 181 slot machines, an increase of 34 over the prior year.

We operate a limited food and beverage service incidental to the operation of the casino. Food and beverage revenues approximated 2% of casino revenues in fiscal 2003 and 3% of casino revenues in fiscal 2002.

We continued to reduce our casino operating costs, which were $2,333,540 in fiscal 2003 compared to $2,410,325 in fiscal 2002, a decrease of $76,785 or 3%. The reduction primarily resulted from our Bull Durham operations restructuring, whereby we were able to reduce certain payroll costs by $188,000. The decrease is comprised of the elimination of dealers and pit supervisors associated with table gaming. We also saved $40,000 in table gaming supplies and expenses by eliminating the blackjack tables. The cost reductions were partially offset by an increase in marketing costs, primarily the $97,000 increase in direct mail program expenses and the $26,000 increase in charter bus expense. All other operating expenses increased by $30,000.

General and Administrative. General and administrative expenses increased by $76,768, from $139,517 in 2002 to $216,285 in 2003. During 2003, we incurred $20,000 of expenses related to the Astraea debt restructuring. The remaining increase consisted primarily of professional fees incurred in connection with the spin-off of OnSource.

Other Items. Interest expense declined to $223,806 in fiscal 2003 from $338,599 in 2002, a decline of $114,793 or 34%. The reduction reflects the renegotiations of certain debts to reduce interest expense and the normal expense reduction as outstanding debt balances are reduced.

Our marketable securities portfolio yielded a net gain of $125,000 in fiscal 2002. During 2002 we liquidated our securities portfolio and we do not expect to generate future trading gains or losses.

Gain on asset disposal in fiscal 2002 reflects the sale of our South Dakota property. The South Dakota property had been the subject of an ownership dispute. Proceeds from sale of the property were placed in escrow pending final resolution of the dispute. All items were resolved in fiscal 2002 and the gain of $194,000 was recognized.

During FY 2003, we completed a restructuring of certain debts. This restructuring occurred late in calendar year 2002 and is described in this report as the 2002 restructuring. The aggregate gain of $493,941 is comprised of the waiver of accrued and unpaid interest of $214,796 on a $500,582 note payable to an investment company and a principal reduction of $279,145 agreed by two equipment suppliers.

During FY 2002, we also recognized a net gain of $87,147 related to a restructuring of certain debts. The holders of debt instruments with principal and interest balances approximating $350,000 agreed to accept fixed monthly payments of $7,000 (including interest) and a reduction in the face amount of the debt. For financial statement purposes, the transaction yielded a pre-tax gain of $132,147 less associated taxes of $45,000.

Discontinued Operations. As previously announced, Global transferred certain assets and liabilities to OnSource Corporation, a subsidiary formed by Global to facilitate a spin-off of its Alaska operations to its shareholders. The transfer of assets and liabilities to OnSource was effective July 1, 2001. Global declared a stock dividend to all shareholders of record as of August 6, 2001, whereby Global's shareholders are entitled to receive one share of OnSource for every ten shares of Global's common stock owned by them. The accompanying financial statements present the Alaska operations as discontinued operations for fiscal 2002.

During fiscal 2001, we owned 100% of the Alaskan operations. Effective July 1, 2001, we transferred our ownership interests to OnSource, our wholly owned subsidiary. Between July 1, 2001 and June 13, 2002, OnSource sold common shares to other parties, reducing Global's ownership to 32%. On June 13, 2002, we transferred the OnSource common stock owned by Global into a trust for the benefit of Global's shareholders. Global's average ownership interest in OnSource for fiscal 2002 was 52.4%.

For the year ended June 30, 2002, we reported a loss from discontinued operations of ($22,989), representing 52.4% of OnSource's net loss of ($44,000).

Income taxes. For tax purposes, Global has accumulated net operating losses aggregating $7,781,000 available to offset future taxable income, if any. Taxable income reported for 2003 has been offset by these NOL carryforwards. These net operating losses can be carried forward for fifteen years. They will expire in the years from 2009 to 2016. The Tax Reform Act of 1986 limits the utilization of NOL carryforwards under certain circumstances. Therefore, the Company's ability to fully utilize the carryforwards is not assured and this asset is not reflected on the Company's balance sheet.

Liquidity and Capital Resources

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

As of June 30, 2003 and for the year then ended, neither the Company nor its subsidiaries have commercial bank credit facilities.

Consequently, we believe that future cash needs must be internally generated through operations. Cash flow at the Company's sole operating subsidiary has been sufficient to fund operations at that subsidiary and we believe that cash flow will be sufficient during the next twelve months to continue operation of the subsidiary. However, operating cash flow is not expected to be sufficient to reduce the parent company's debt posture or working capital deficiency. We do not expect to generate sufficient funds to cover the deficiencies related to our debt in default or other outstanding obligations. Should creditors initiate action against us to collect upon their debts, it could have a material adverse effect on our financial condition.

At June 30, 2003, the Company continued to suffer from a lack of liquidity and working capital deficit. Current assets were $557,343 compared to current liabilities of $2,077,822 resulting in a working capital deficit of $1,520,479. This working capital deficit, combined with the Company's history of losses from operations, has led our independent auditors to qualify their audit opinion due to substantial doubts about our ability to continue as a going concern.

The Company is in default under several unsecured loans and loan agreements. The Company continues to address debt currently in default by negotiating extensions and other modifications to the terms of these debts and by conversion of debt to equity, restructuring of amounts due and other payment terms. Management expects to continue these negotiations into fiscal 2004.

In previous years, the Company tried to offset its losses from operations with trading gains from sales of its portfolio of marketable securities. During fiscal year 2002, the Company terminated its marketable securities trading activity.

Current assets increased from $428,009 at June 30, 2002 to $557,343 at June 30, 2003, a increase of $129,334. Current assets increased because of increased cash flow from operations. Current liabilities decreased from $2,313,046 at June 30, 2002 to $2,077,822 at June 30, 2003, a decrease of $235,221. The decrease resulted primarily from the restructuring of certain debts that were in default.

Net cash provided by operating activities increased by approximately $294,000, primarily because if a net change in accounts payable balances of approximately $250,000.

Investing activities used net cash of $104,342 in 2003 compared to providing $27,930 in fiscal 2002. The net change of $132,272 is primarily explained by an increase in capital expenditures to improve the Bull Durham. In addition to the 38 new and used slot machines that we purchased during the year, we installed new carpet and replaced the slot chairs.

The Company used $174,199 in cash for financing activities during the year ended June 30, 2003 compared to $421,006 during 2002. The reduction resulted from the 2002 debt restructuring.

As of June 30, 2003, there were 200,500 shares of Series A Convertible Preferred Stock that remained outstanding. The preferred stock share is redeemable at a price of $2.00 per share. The original offering comprised 1,406,250 units. Under the original terms of the offering, the units were comprised of one share Series A Redeemable Preferred Stock with a mandatory redemption date of May 31, 1995 and one-half Class D common stock purchase warrant with an exercise price of $3.00 per share. On May 31, 1995, a majority of the preferred stock holders agreed to waive the mandatory redemption in consideration for a lower conversion price into common shares of $1.125 per share and lower warrant price of $0.50 per share. Subsequently, 1,205,750 shares of preferred stock were converted. The remaining outstanding Series A Redeemable Preferred Stock is in default of the mandatory redemption feature. The conversion privileged originally included with this unit have expired. None of the Class D warrants originally issued as part of the unit remain outstanding.

As of June 30, 2003, there were 39,101 shares of Series C Preferred Stock that remained outstanding. The stock has a stated value of $1.20 and is convertible into one share of common stock. Holders of Series C preferred stock are entitled to vote and to receive dividends at the annual rate of 7% based on the stated value per share. The dividends are cumulative, with any outstanding unpaid dividends bearing interest at an annual rate of 10%.

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During the year ended June 30, 2003, we reclassified the Series C Preferred Stock from mandatory redeemable to stockholders' deficit. The sole remaining Series C shareholder decided not to participate in the exchange offer that had been extended to all Series C shareholders. Furthermore, we determined that this shareholder did not sign the 1999 agreement offered to all Series C stockholders that would have granted them the right to require the Company to redeem the stock under certain circumstances.
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During the year ended June 30, 2002, the holders of 448,070 shares of Series C Preferred Stock exchanged their stock holdings for unsecured promissory notes with an aggregate principal balance of $641,000, bearing interest at 7% per annum and maturing in October 2003. All of these notes were assumed by OnSource Corporation.

As previously disclosed, Astraea holds a $500,000 promissory note which under the 2002 Restructuring was assigned by Global Casinos to Casinos, U.S.A. and is currently the obligation of Casinos, U.S.A. The principal amount of the note, together with interest at the rate of 4% per annum, is due and payable in September 2009. The note is secured by a pledge of 100% of the shares of Casinos, U.S.A. owned by Global Casinos and the assets of Casinos U.S.A. Global Casinos has granted to Astraea the option to purchase all of the shares of Casinos, U.S.A. owned by Global Casinos for $100, exercisable any time after March 17, 2005. Global Casinos can purchase the option from Astraea by repaying the principal and interest due under the note. Global Casinos does not have the capital with which to repay the note and does not anticipate being able to generate the capital through operations. As a result, the only way that Global Casinos could purchase the Astraea option by retiring the $500,000 promissory note would be through a refinancing of its debt. There currently exist no agreements, understanding or arrangements with respect to any such debt refinancing.

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

The Company's common stock is neither listed nor traded on NASDAQ or a national securities exchange. Information about the Company's stock can be found at Pink Sheets LLC, a quotation service that provides quotes, last-sale price, and volume information in over-the-counter (OTC) securities.

Outlook

The Company continues its efforts to formulate plans and strategies to address the Company's financial condition and increase profitability. Management will continue to address debt currently in default by negotiating with creditors to convert debt to equity, extend maturity dates of debt, and accept reduced payment terms. The Company will continue to explore acquisition opportunities and improve operating efficiencies at its existing properties. Management believes that these plans will result in increased liquidity and future profitability, however, there is no assurance that management actions will achieve the desired results.

The Company has streamlined its operations by closing unprofitable casinos and by transferring ownership of Alaskan operations to OnSource Corporation. The Company's operations consist solely of the Bull Durham. We believe this operation can be self-sustaining. However, it is not expected to be sufficiently profitable to relieve our debt posture or working capital deficiency. These conditions make it unlikely that we could take advantage of future opportunities without a significant capital infusion.

Subsequent to June 30, 2002, the Company completed a restructuring of certain debts and obligations (the 2002 restructuring). Among other terms and conditions, the Company agreed to grant an option to the senior creditor to purchase 100% of the common stock of Casinos USA for $100. The option can be exercised any time after March 17, 2005. Global can redeem the option by paying in full the principal and interest balance on the $501,000 promissory note. Global does not currently have the capital resources to retire the $501,000 promissory note payable. It will attempt to generate the funds internally or through a capital infusion. Should it fail to retire the debt before March 17, 2005, the creditor will be able to purchase Casinos USA, including the assets and operations of the Bull Durham for $100. As the Bull Durham constitutes all of the Company's operations, such an event would have a material adverse effect on the Company and its ability to retire its obligations.

ITEM 7. FINANCIAL STATEMENTS

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

1. Report of Independent Auditors

2. Audited Balance Sheet as of June 30, 2003

3. Audited Statements of Operations for the Years Ended June 30, 2003 and 2002

4. Audited Statements of Stockholders' Equity for the Years Ended June 30, 2003 and 2002

5. Audited Statements of Cash Flows for the Years Ended June 30, 2003 and 2002

6. Notes to Financial Statements

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheet of Global Casinos, Inc. and Subsidiaries as of June 30, 2003 and the related consolidated statements of operations, stockholders' (deficit), and cash flows for the years ended June 30, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Casinos, Inc. and Subsidiaries as of June 30, 2003, and the consolidated results of their operations and their cash flows for the years ended June 30, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has both working capital and stockholder's deficiencies as of June 30, 2003. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Stark Winter Schenkein & Co., LLP

Denver, Colorado
October 11, 2003

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

as of June 30, 2003

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	516,529
Accrued gaming income		17,228
Inventory		16,147
Other		7,439
Total current assets		557,343
Land, building and improvements, and equipment:		

Land		517,950
Building and improvements		4,071,481
Equipment		1,342,767
		5,932,198
Accumulated depreciation		(2,153,784)
		3,778,414
	$	4,335,757

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

Current liabilities:		
Accounts payable, trade	$	29,795
Accounts payable, related parties		229,458
Accrued expenses		163,488
Accrued interest		458,868
Current portion of long-term debt		257,240
Debt in default		417,973
Mandatory redeemable preferred stock in default		401,000
Other		120,000
Total current liabilities		2,077,822
Long-term debt, less current portion		2,602,866
Commitments and contingencies		
Stockholders' (deficit):		
Preferred stock: 10,000,000 shares authorized, Series B - 8% cumulative, convertible, $10.00 stated value, non-voting, 400,000 shares authorized, no shares issued and outstanding		-
Preferred Stock - Series C - 7% cumulative, convertible, Stated value $1.20 per share, voting, 600,000 shares authorized, 39,101 shares issued and outstanding, in arrears		46,921
Common stock - $.05 par value; 50,000,000 shares authorized; 2,431,360 shares issued and outstanding		121,568
Additional paid-in capital		12,250,105
Accumulated (deficit)		(12,763,525)
		(344,931)
	$	4,335,757

See accompanying notes to the consolidated financial statements.

GLOBAL CASINOS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

for the years ended June 30, 2003 and 2002

	2003	2002
Revenues:		
Casino	$ 2,770,073	$ 2,688,380
Expenses:		
Casino operations	2,333,540	2,410,325
Operating, general, and administrative	216,285	139,517
	2,549,825	2,549,842
Income from operations	220,248	138,538
Other income (expense):		
Interest income	-	8,959
Interest expense	(223,806)	(338,599)
Gain on debt restructuring	493,941	-
Gain from sale of marketable securities	-	124,853
Gain on asset disposal	-	194,000
	270,135	(10,787)
Income before income taxes	490,383	127,751
Income taxes (benefit)	-	(45,000)
Income from continuing operations	490,383	172,751
Discontinued operations:		
(Loss) from operations of bingo segment	-	(22,989)
	-	(22,989)
Income before extraordinary item	490,383	149,762
Extraordinary item:		
Gain from debt restructuring (net of income tax of $45,000)	-	87,147
Net income	490,383	236,909
Preferred dividends	(3,284)	(13,000)
Net income attributable to common stockholders	$ 487,099	$ 223,909
Earnings (loss) per common share - basic and diluted:		
Income from continuing operations	$ 0.20	$ 0.07
Discontinued operations	-	(0.01)
Extraordinary item	-	0.04
Preferred dividends	(0.00)	(0.01)

Net income attributable to common stockholders	$ 0.20	$ 0.09