GLOBAL CASINOS INC
Form 10-Q
November 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012

OR

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

For the transition period from ____ to ____

Commission file number 0-15415

GLOBAL CASINOS, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

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

1507 Pine Street, Boulder, CO 80302
(Address of Principal Executive Offices)

Issuer's telephone number: (303) 449-2100

Former name, former address, and former fiscal year, if changed since last report

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X].

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

As of November 7, 2012, the Registrant had 7,161,966 shares of its Common Stock outstanding.

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PART I -- FINANCIAL INFORMATION

PART II - OTHER INFORMATION

PART 1. FINANCIAL INFORMATION

Item 1.

Financial Statements

The consolidated financial statements included herein have been prepared by Global Casinos, Inc. (the Company), pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such SEC rules and regulations. In the opinion of management of the Company the accompanying statements contain all adjustments necessary to present fairly the financial position of the Company as of September 30, 2012 (unaudited) and June 30, 2012, and its results of operations for the three month periods ended September 30, 2012 and 2011 (unaudited), its statements of stockholders equity for the period July 1, 2011 through September 30, 2012 (unaudited), and its cash flows for the three month periods ended September 30, 2012 and 2011 (unaudited). The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of the Company's annual report on Form 10-K.

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)	*June 30, 2012*
ASSETS		
Current Assets		
Cash and cash equivalents	$ 687,405	$ 492,199
Accrued gaming income	105,415	234,883
Inventory	24,481	24,481
Prepaid expenses and other current assets	58,961	51,835
Total current assets	876,262	803,398
Note receivable, Georgia REIT	500,000	500,000
Land, building and improvements, and equipment:		
Land	517,950	517,950
Building and improvements	4,138,220	4,138,220
Equipment	3,280,189	3,266,252
Total land, building and improvements, and equipment	7,936,359	7,922,422
Accumulated depreciation	(5,464,065)	(5,379,369)
Land, building and improvements, and equipment, net	2,472,294	2,543,053
Goodwill	-	-
Total assets	$ 3,848,556	$ 3,846,451

CONTINUED ON FOLLOWING PAGE

See accompanying notes to these consolidated financial statements

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GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (unaudited)		June 30, 2012	
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable, trade	$	82,004	$	94,002
Accounts payable, related parties		7,335		12,641
Accrued expenses		371,597		279,351
Accrued interest		78,944		64,817
Other current liabilities		119,592		125,147
Joint venture obligation		23,605		23,605
Current portion of long-term debt		551,441		861,999
Current portion of loan participation obligations		35,760		194,485
Total current liabilities		1,270,278		1,656,047
Long-term debt, less current portion		280,787		-
Loan participation obligations, less current portion		150,432		-
Convertible debt, 2013 5%		95,000		120,000
Convertible debt, 2013 8%, less current portion, and net of discount of $429,595 and $526,633		420,405		323,367
Total liabilities		2,216,902		2,099,414
Commitments and contingencies				
Stockholders' equity:				
Preferred stock: 10,000,000 shares authorized				
Series A - no dividends, $2.00 stated value, non-voting, 2,000,000 shares authorized, 200,500 shares issued and outstanding		401,000		401,000
Series B - 8% cumulative, convertible, $10.00 stated value, non-voting, 400,000 shares authorized, no shares issued and outstanding		-		-
Series C - 7% cumulative, convertible, $1.20 stated value,		-		-

voting , 600,000 shares authorized, no shares issued and outstanding				
Series D - 8% cumulative, convertible, $1.00 stated value, non-voting, 1,000,000 shares authorized, 700,000 shares issued and outstanding		700,000		700,000
Series E - convertible, $0.25 stated value, non-voting 600,000 shares authorized, no shares issued and outstanding		-		-
Common stock - $0.05 par value; 50,000,000 shares authorized; 6,961,502 and 6,851,488 shares issued and outstanding		348,076		342,575
Additional paid-in capital		15,096,338		15,074,335
Accumulated deficit		(14,913,760)		(14,770,873)
Total equity		1,631,654		1,747,037
Total liabilities and stockholders' equity	$	3,848,556	$	3,846,451

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the three months ended September 30, 2012 and 2011
(unaudited)

		2012		*2011*
Revenues:				
Casino	$	1,376,067	$	1,365,875
Promotional allowances		(63,034)		(41,520)
Net Revenues		1,313,033		1,324,355
Expenses:				
Casino operations		1,266,425		1,302,210
Operating, general, and administrative		46,078		64,788
Loss on asset disposals		-		5,679
		1,312,503		1,372,677
Income (loss) from operations		530		(48,322)
Other income (expense):				
Interest		(129,106)		(26,109)
Loss before provision for income taxes		(128,576)		(74,431)
Provision for income taxes		-		-
Net loss		(128,576)		(74,431)
Series D Preferred dividends		(14,311)		(14,311)
Net loss attributable to common shareholders	$	(142,887)	$	(88,742)
Loss per common share:				
Basic and diluted	$	(0.02)	$	(0.01)
Weighted average shares outstanding:				
Basic and diluted		6,934,610		6,798,488

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
July 1, 2011 through September 30, 2012

	SERIES A PREFERRED STOCK		SERIES D PREFERRED STOCK		COMMON STOCK				
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Additional Paid In Capital	Accumulated (Deficit)	Total
Balance as of June 30, 2011	200,500	$ 401,000	700,000	$ 700,000	6,798,488	$ 339,925	$14,203,225	$ (13,905,269)	$ 1,738,881
Allocation of beneficial conversion feature, 8% convertible debt							410,800		410,800
Allocation of common stock purchase warrants issued in private placement of 8% convertible debt							439,200		439,200
Common stock issued under loan participation agreement					53,000	2,650	21,110		23,760
Series D Preferred dividends								(56,933)	(56,933)
Net loss								(808,671)	(808,671)
Balance as of June 30, 2012	200,500	$ 401,000	700,000	$ 700,000	6,851,488	$ 342,575	$15,074,335	$ (14,770,873)	$ 1,747,037
Common stock issued upon conversion of 5% Notes					110,014	5,501	22,003		27,504
Series D Preferred dividends								(14,311)	(14,311)
Net loss								(128,576)	(128,576)
Balance as of September 30, 2012 (unaudited)	200,500	$ 401,000	700,000	$ 700,000	6,961,502	$ 348,076	$15,096,338	$ (14,913,760)	$ 1,631,654

See accompanying notes to these consolidated financial statements

GLOBAL CASINOS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the three months ended September 30, 2012 and 2011

(unaudited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (128,576)	$ (74,431)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	185,834	85,924
Loss on disposals of fixed assets	-	5,679
Changes in operating assets and liabilities		
Accrued gaming income	129,468	162,051
Other current assets	(7,126)	(30,559)
Accounts payable and accrued expenses	74,787	(15,528)
Joint venture obligation	-	(2,145)
Accrued interest	16,631	1,418
Other current liabilities	(5,555)	33,824
Net cash provided by operating activities	265,463	166,233
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of building improvements and equipment	(18,037)	-
Net cash used in investing activities	(18,037)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(29,771)	(18,756)
Payments on loan participation obligations	(8,293)	(7,359)
Payment of Series D preferred stock dividends	(14,156)	(14,156)
Net cash used in financing activities	(52,220)	(40,271)
Net increase in cash	195,206	125,962
Cash at beginning of period	492,199	531,208
Cash at end of period	$ 687,405	$ 657,170
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 24,197	$ 24,718

Cash paid for income taxes	$	-	$	-
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES				
Accrued and unpaid dividends on Series D preferred stock	$	14,311	$	14,311
Conversion of 5% Notes and accrued interest	$	27,504	$	-

GLOBAL CASINOS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2012

(unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Global Casinos, Inc. (Company) is presented to assist in understanding the Company s financial statements. The financial statements and notes are representations of the Company s management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Consolidation

Global Casinos, Inc. (the "Company or "Global"), a Utah corporation, has two subsidiaries that operate two gaming casinos.

As of September 30, 2012, the Company s operating subsidiaries were Casinos USA, Inc. ("Casinos USA, a Colorado corporation), which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district of Black Hawk, Colorado, and Doc Holliday Casino II, LLC (a Colorado limited liability company), which operates the Doc Holliday Casino (Doc Holliday), located in the limited stakes gaming district of Central City, Colorado.

The consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of Presentation Going Concern

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the United States Securities and Exchange Act of 1934, as amended for interim financial information.

The financial information as of June 30, 2012 is derived from the audited financial statements presented in the Company s Annual Report on Form 10-K/A for the years ended June 30, 2012 and 2011. The unaudited interim consolidated financial statements should be read in conjunction with the Company s Annual Report on Form 10-K/A, which contains the audited financial statements and notes thereto, together with Management s Discussion and Analysis, for the years ended June 30, 2012 and 2011.

Certain information or footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a comprehensive presentation of financial position, results of operations, or cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The interim results for the three months ended June 30, 2012 are not necessarily indicative of results for the full fiscal year.

The accompanying unaudited financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has suffered significant losses primarily attributable to the Doc Holliday Casino operations since its purchase in 2008, and has working capital and shareholders deficits at September 30, 2012, that raise substantial doubt about its ability to continue as a going concern. In view of these matters, realization of certain of the assets in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company s ability to meet its financial requirements, raise additional capital, and generate revenues and profits from operations.

The financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management s plans addressing the going concern are discussed in Note 15 Definitive Agreements regarding the proposed split-off of its casino assets and the proposed acquisition of Georgia Healthcare REIT, Inc.

Presentation and Comparability

Certain amounts from previously reported periods have been reclassified to conform to the current period presentations.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the value of long-lived assets and liabilities, the value of share based compensation transactions, the value of debt and equity instruments, the future obligations resulting from promotional activities, the long-term viability of the business, the future impact of gaming regulations, and future obligations under various tax statutes. Actual results may differ from estimates.

Risk Considerations

The Company operates in a highly regulated environment subject to the political process. Our retail gaming licenses are subject to annual renewal by the Colorado Division of Gaming. Changes to existing statutes and regulations could have a negative effect on our operations. The Colorado

Gaming Commission requires that any beneficial owner of five percent or more of the Company s securities, including holders of common stock, file an application for a finding of suitability. The gaming authority has the power to investigate an owner's suitability and the owner must pay all costs of the investigation. If the owner is found unsuitable, then the owner may be required by law to dispose of the securities. The Colorado Division of Gaming is currently requiring certain of the Company s shareholders to file an application for finding of suitability. If they are found by the division to be unsuitable, they could be required to divest their share positions. A contingency exists with respect this matter, the ultimate resolution of which cannot presently be determined.

In addition, since the Company s two gaming facilities are both located in the Central City and Black Hawk, Colorado geographic area, the potential for severe financial impact can result from negative effects of economic conditions within the market or geographic area. This concentration results in an associated risk and uncertainty.

Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash and cash equivalents, and accounts receivables. At September 30, 2012, the Company had no cash or cash equivalents in financial institutions in excess of FDIC deposit insurance coverage.

Fair Value of Financial Instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The Company's financial instruments include cash, accrued gaming income, notes receivable, accounts payable, accrued expenses, other current liabilities and long-term debt obligations. Except for long-term debt obligations, the carrying value of financial instruments approximated fair value due to their short maturities.

The carrying value of all long-term debt obligations approximated fair value because interest rates on these instruments are similar to quoted rates for instruments with similar risks.

Cash and Cash Equivalents

Cash consists of demand deposits and vault cash used in casino operations. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accrued Gaming Income

Gaming income represents the difference between the cash played by customers, and the cash paid out by the casino machines. On a regular basis, the cash representing the casino s revenue is pulled from the machines and deposited. However, this process does not always occur at the end of the last business day of the month. Accrued gaming income represents the amount of revenue (cash) in the machines that has not yet been pulled and deposited at the end of the reporting period. At September 30 and June 30, 2012, $105,415 and $234,883 of income, respectively, was accrued and recorded as a current asset.

Inventories

Inventories primarily consist of food and beverage supplies and are stated at the lower of cost or market. Cost is determined by the specific-cost method.

Land, Building and Improvements, and Equipment

Land, building and improvements, and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives. The building is depreciated over 31 years, and improvements and equipment are depreciated over five to seven years. Depreciation expense for the three months ended September 30, 2012 and 2011 was $88,795 and $85,924, respectively.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value to future undiscounted cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is determined as the amount by which the carrying value exceeds the fair value of the assets.

Goodwill

Goodwill, which resulted from the purchase price in excess of the fair value of the underlying assets purchased and liabilities assumed in the acquisition of the Doc Holliday Casino (reporting unit or casino) in March 2008, was evaluated for impairment annually at the reporting unit level as of June 30, and whenever the occurrence of a significant event or a change in circumstances would suggest that the carrying value of the reporting unit including goodwill might be in excess of its fair value. Such factors included, but were not limited to, adverse changes in the business climate, and significant and unexpected changes in the reporting unit s cash flows. Goodwill was evaluated for impairment in a two-step process per ASC 350. Step 1 required testing the recoverability of the reporting unit on a fair-value basis. If the fair value of the reporting unit was less than the carrying value of the reporting unit including goodwill, Step 2 was performed by assigning the reporting unit s fair value to its assets and liabilities in a manner similar to the allocation of purchase price in a business combination to determine the implied fair value of the goodwill. If the carrying value of the reporting unit s goodwill exceeded its implied fair value, goodwill was deemed impaired, and was written down to the extent of the difference. The fair value of the reporting unit was determined from time-to-time using the discounted future cash flow method, the cost and market approach obtained by independent appraisal, or a combination thereof.

As of September 30 and June 30, 2012, all the goodwill resulting from the acquisition of the Doc Holliday Casino in March 2008, was deemed impaired.

See Note 4 for further discussion regarding the Company s goodwill.

Casino Chips and Tokens

Gaming chips and tokens are accounted for from the time the casino receives them even though they may not yet be issued and are held in reserve. The chip and token float is determined by the difference between the total amounts of chips and tokens placed in service and the actual inventory of chips and tokens held by the casino at any point in time. The chip and token float is included in other current liabilities.

Revenue Recognition

In accordance with gaming industry practice, the Company recognizes casino revenues as the net win from gaming activities, which is the difference between gaming wins and losses. Anticipated payouts resulting from our customer loyalty program (Sharpshooter s Club), in which registered customers are awarded cash based on the frequency and amounts of their gaming activities are included in promotional allowances. In accordance with gaming industry practice, these promotional allowances are presented as a reduction of casino revenues.

Advertising Costs

The Company expenses all advertising costs as they are incurred. Advertising costs were $7 and $6 for the three months ended September 30, 2012 and 2011, respectively.

Consulting Expenses

From time-to-time the Company engages consultants to perform various professional and administrative functions including public relations and corporate marketing. Expenses for consulting services are generally recognized when services are performed and billable by the consultant. In the event an agreement requires payments in which the timing of the payments is not consistent with the performance of services, expense is recognized as either service events occur, or recognized evenly over the period of the consulting agreement where specific services performed under the agreement are not readily identifiable. Consulting agreements in which compensation is contingent upon the successful occurrence of one or more events are only expensed when the contingency has been, or is reasonably assured, to be met. The Company currently has no active consulting arrangements.

Income Taxes

The Company uses the liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates resulting from new legislation is recognized in income in the period of enactment. A valuation allowance is established against deferred tax assets when management concludes that the "more likely than not" realization criteria has not been met.

Earnings Per Common Share

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed based on the weighted average number of common shares and potentially dilutive common shares outstanding. The calculation of diluted net income (loss) per share excludes potential common shares if the effect would be anti-dilutive. Potential common shares consist of incremental common shares issuable upon the exercise of stock options, warrants, and shares issuable upon the conversion of preferred stock.

Potentially dilutive shares of 1,855,000 were not included in the calculations of diluted earnings per share for the three months ended September 30, 2012, as their inclusion would have been anti-dilutive, and represent out of the money stock options and stock purchase warrants, and shares issuable upon conversion of preferred stock. Potentially dilutive shares of 835,000 were not included in the calculations of diluted earnings per share for the three months ended September 30, 2011, as their inclusion would have been anti-dilutive, and represent out of the money stock options and shares issuable upon conversion of preferred stock.

Stock-Based Compensation

Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 718, *Stock Compensation*, establishes fair value as the measurement objective in accounting for share based payment arrangements, and requires all entities to apply a fair value based measurement method in accounting for share based payment transactions with employees. Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the period during which the holder is required to provide services in exchange for the award, i.e., the vesting period.

Comprehensive Income

Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 220, *Comprehensive Income,* provides guidance for reporting and display of comprehensive income, its components and accumulated balances. For the three months ended September 30, 2012 and 2011, there were no differences between reported net income and comprehensive income.

Derivative Instruments and Hedging Activities

We have adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC) Topic 815, *Derivatives and Hedging,* which provides guidance for disclosure of derivative instruments and hedging activities.

Segment Information

The Company currently operates in one business segment as determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (the ASC)

Topic 280, *Segment reporting.* The determination of reportable segments is based on the way management organizes financial information for making operating decisions and assessing performance. All operations are located in the United States of America.

Recent Pronouncements

There were various accounting standards and interpretations issued during 2012 and 2011, none of which are expected to have a material impact on the Company s consolidated financial position, operations, or cash flows.

2. NOTE RECEIVABLE

On June 22, 2012, the Company advanced a loan to Georgia Healthcare REIT, Inc., a Georgia corporation (Georgia REIT) in the original principal amount of $500,000 plus interest at the rate of 5% per annum, interest payable monthly, with the total outstanding principal balance due on June 30, 2013. The Note is secured by a stock pledge agreement covering 100% of the issued and outstanding shares of membership interest of REIT.

See **Note 15 Definitive Agreements**, for further discussion of contemplated transactions with Georgia REIT.

3. INVESTMENT IN IMAGEDOC USA, INC.

On July 19, 2010, the Company executed a Common Stock and Warrant Purchase Agreement (Purchase Agreement) with ImageDoc USA, Inc. (ImageDoc), a Colorado corporation wherein, the Company agreed to purchase, for an aggregate purchase price of up to $120,000, up to an aggregate of 2,566,000 shares of common stock and warrants exercisable to purchase an additional 400,000 shares of common stock of ImageDoc for a period of five years at an exercise price of $0.20 per share. The investment represents less than 10% of all outstanding common stock and common stock equivalents of ImageDoc at the closing date.

Also effective July 19, 2010 the Company and ImageDoc entered into a Registration Rights Agreement establishing the terms by which ImageDoc shall prepare and file a Registration Statement covering the spin-off to Global equity holders of the ImageDoc shares, which are the subject of the aforementioned Purchase Agreement. The Company completed the purchase of all 2,566,000 shares of common stock and warrants exercisable to purchase an additional 400,000 shares of common stock of ImageDoc. As of September 30, 2012 the warrants have not been exercised. No record date has been established for the spin-off of those shares and the distribution will not occur until such time a Registration Statement has been declared effective by the Securities Exchange Commission.

During the quarter ended June 30, 2011, the Company determined that ImageDoc s expected and realized cash flows were significantly less than initial expectations, which has delayed the preparation and filing of its Registration Statement as discussed above. This raised substantial doubt regarding the current value of the investment. As such, the Company recorded an impairment charge equal to the original investment at June 30, 2011.

4. GOODWILL

The Company s goodwill as recorded in our Doc Holliday Casino reporting unit is comprised of the following:

Total Goodwill	$	1,898,496
Impairment charges		(1,898,496)
Total Goodwill as of September 30, 2012	$	-

Goodwill was evaluated for impairment annually at the reporting unit level as of June 30, and whenever the occurrence of an event or a change in circumstances would suggest that the carrying value of the reporting unit including goodwill might be in excess of its fair value. Such factors included, but were not limited to, adverse changes in the business climate, and significant and unexpected changes in the reporting unit s cash flows. As of December 31, 2011 all the goodwill recorded upon the purchase of the Doc Holliday Casino reporting unit in March 2008, was fully impaired. Impairment charges of $890,000 and $1,008,496 were recorded during the quarters ended March 31, 2010 and June 30, 2011, respectively.

5. NOTES PAYABLE AND LONG-TERM DEBT

Effective September 19, 2009, all of the secured obligations of Casinos, USA, Inc., a wholly-owned subsidiary of Global Casinos, Inc. matured and became due and payable. The secured obligations are collateralized by deeds of trust encumbering the Bull Durham casino property located in Blackhawk, Colorado. Until their maturity, all payments required under the notes had been made in a timely fashion. We have since purchased the senior loan and deed of trust and negotiated extensions of the second priority loan and deed of trust and a portion of the junior loans and deed of trust. We intend to continue to make payments under the notes pending our efforts to renegotiate their maturity dates.

On March 22, 2010 the Company consummated an Allonge and Modification Agreement with the holder of a junior deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $176,540. The agreement extended the maturity date to April 1, 2013, established an interest rate of 8% per annum, and requires monthly principal and interest payments of $1,911.

On December 30, 2009 the Company consummated an Allonge and Modification Agreement with the holder of a second deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $616,988. The agreement required a principal pay down of $100,000, monthly principal and interest payments of $5,596 beginning on January 1, 2010, and extended the maturity date of the Note to December 31, 2010. Additional annual pay downs of $50,000 due on or before December 31st, 2010, 2011 and 2012 would extend the maturity date one year from the pay down due date. The Company made the $50,000 pay downs in 2010 and 2011, thereby extending the maturity date to December 31, 2012. Effective November 9, 2012 a Second Allonge and Modification Agreement was consummated which waived the $50,000 principal pay down due on or before December 31, 2012 under the first Allonge and Modification Agreement, and established an annual $50,000 principal pay down due on or before December 31, 2013 and each year thereafter until the Note is paid in full. Providing that the annual principal reductions are made and that the Note or Second Deed of Trust are not in default, the maturity date of the Note shall be extended to December 31, 2013 and thereafter shall be extended to December 31st each succeeding year automatically until all principal and accrued interest is paid in full. At September 30, 2012 the balance of the Note was $323,599.

On November 30, 2009 the Company consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. The total amount of consideration paid to the holder was $730,710 which included principal of $721,021, interest accrued to the purchase date of $5,689, and a fee of $4,000 to cover legal and administrative costs of the holder. Also on November 30, 2009 the Company executed a Loan Participation Agreement whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. And on December 30, 2009 the Company executed a Loan Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of $15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. The remaining undivided 63.22% interest in the Note is owned by the Company and is eliminated in consolidation as the debtor is a wholly owned operating subsidiary. The Note has not been modified and continues to be in technical default. Effective October 11, 2012 the Company consummated an Amended and Restated Allonge and Loan Participation Agreement. These transactions are further discussed in Note 6 Loan Participation Obligations.

In addition, a note payable to the seller of Doc Holliday Casino acquired in March 2008, matured on March 31, 2009. The note did not bear interest, however upon its maturity a default interest rate of 8% with interest payments due monthly became effective. Since default, we have made all required interest payments under the default terms of the note. At the request of the note holder and beginning in January 2010, we had been making interest and additional monthly principal reduction payments of $12,500. Beginning in January 2011, we notified the note holder that we would not be able to continue making the monthly principal reduction payments on the note until the cash flows of the Doc Holliday Casino allow for additional principal reductions. With the note holder s acquiescence, but not express agreement, we have been making interest only payments and smaller principal reduction payments as the cash flows of the casino allow. The note holder has not executed any modification agreement, and as such all principal was considered in technical default and is classified as a current obligation at September 30, 2012. In October 2012 the note holder agreed to accept a lump sum payment in full satisfaction of the obligation, and on October 15, 2012 the Company paid the note holder $95,000 to extinguish this obligation.

At September 30, 2012, notes payable and long-term debt, exclusive of the Loan Participations discussed in Note 6, and convertible debt discussed in Note 7, consisted of the following:

Junior mortgage payable to private lender, collateralized by real estate, interest at 8%, monthly payments of $5,596, maturing December 31, 2012, subsequently extended to December 31, 2013.	$ 323,599
Junior mortgage payable to private lender, collateralized by real estate, interest at 8%, monthly payments of $1,911, maturing April 1, 2013.	152,252
Junior mortgages payable to private lenders, collateralized by real estate, interest at 4%, monthly payments of $605. Notes matured September 19, 2009.	99,586
Installment note payable to equipment supplier, collateralized by equipment, requiring monthly payments of $11,021, no interest, final payment due March 12, 2013.	66,124
Note payable to seller of Doc Holliday Casino, uncollateralized, no interest. Note matured March 31, 2009. Default interest rate of 8% applies until note paid in full.	190,667
Total notes payable and long-term debt	832,228
Less current portion	(551,441)
Long-term debt, net	$ 280,787

6. LOAN PARTICIPATION OBLIGATIONS

As discussed in Note 2: Notes Payable and Long Term Debt, on November 30, 2009 the Company consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. Then, and also on November 30, 2009 the Company executed a Loan Participation Agreement (Agreement) whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. The Company is considered the Loan Servicing Agent under the Agreement. Monthly principal and interest payments began on January 1, 2010, and are based on a seven year amortization at 12% annual interest. The obligation matures on December 31, 2012. In addition, the participant is entitled to an additional 1% per year in year one, 2% per year in year 2, and 3% in year 3, as well as additional loan participation fees on the first and second annual anniversaries of 50,000 shares of the Company s common stock, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.12 per share, the closing price of the Company s common stock on November 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.45 per share, the closing price of the Company s common stock on November 30, 2011.

On December 30, 2009 the Company executed an additional Loan Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of

$15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. The Company is considered the Loan Servicing Agent under the Agreement. Monthly principal and interest payments began on January 1, 2010, and are based on a seven year amortization at 12% annual interest. The obligation matures on December 31, 2012. In addition, the participant is entitled to an additional 1% per year in year one, 2% per year in year 2, and 3% in year 3, as well as additional loan participation fees on the first and second annual anniversaries of 3,000 shares of the Company s common stock, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.09 per share, the closing price of the Company s common stock on December 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.42 per share, the closing price of the Company s common stock on December 30, 2011.

The remaining undivided 63.22% interest in the Note is owned by the Company and is eliminated in consolidation as the debtor is a wholly owned operating subsidiary. The Note has not been modified and continues to be in technical default.

Effective October 11, 2012, the Company and the participants consummated an Amended and Restated Allonge and Loan Participation Agreement. The amended agreement provided for an additional $55,000 of borrowing from the primary participant, which amount was added to the existing loan participation interest. As consideration for the additional funding, the participant received common stock purchase warrants exercisable for five years to acquire up to 60,000 shares of the Company s common stock at an exercise price of $1.25 per share. The amended agreement also extended the maturity dates of the participants interests to December 31, 2015.

At September 30, 2012, loan participation obligations consisted of the following:

Participation obligation payable to unaffiliated third party with an undivided 34.7% interest in senior mortgage secured by real estate, monthly principal and interest payments of $4,417, plus additional interest of 1% in 2010, 2% in 2011, and 3% in 2012, due December 31, 2015.	$ 175,496
Participation obligation payable to director with and undivided 2.08% interest in senior mortgage secured by real estate, monthly principal and interest payments of $265 plus additional interest of 1% in 2010, 2% in 2011, and 3% in 2012, due December 31, 2015.	10,696

Total loan participation obligations	186,192
Less current portion	(35,760)
Loan participations, long-term	$ 150,432

7. CONVERTIBLE DEBT

5% Notes due 2013: On July 16, 2010, the Company s board of directors approved a private offering of its securities consisting of up to $120,000 in 5% Unsecured Convertible Debentures

(Debentures). All $120,000 of debentures was sold in July and August 2010, and will mature and be due and payable in July and August 2013. The principal amount of the Debentures accrue interest at the rate of 5% per annum and will be payable at the maturity date. The Debentures are convertible, at the option of the investor, at any time, into shares of the Company s Series E Convertible Preferred Stock at a conversion price equal to $0.25 per share of Series E Preferred, which is in turn convertible into shares of common stock at the same price. At the time of issuance and based on the Company s common stock trading activity, the Company determined that no beneficial conversion feature was associated with the Debentures. The Debentures will automatically convert into shares of Series E Preferred Stock under certain circumstances.

On July 24, 2012 an investor converted $25,000 of principal plus $2,503 of accrued interest, into shares of the Company s common stock. As a result, 110,014 shares of common stock were issued to the investor.

8% Notes due 2013 and Stock Purchase Warrants: On September 26, 2011 the Company s Board of Directors approved a private offering of units of the Company s securities of up to $720,000. On February 2, 2012, the Company s Board of Directors approved an increase of the private offering of up to $850,000.

Each unit consisted of an 8% Convertible Note and one Class A Warrant for each $1.00 in Note purchased. The Class A Warrants are exercisable into shares of the Company s common stock for a period of three years at an exercise price of $0.50 per share. The price of the offering was the principal amount of the Note. The Convertible Notes accrue interest at 8% per year, mature two years from the date of issuance with all principal and interest due at maturity. At the option of the holder, the Note principal and accrued interest are convertible to shares of the Company s common stock at a conversion price of $0.50 per share. In addition, for every $1.00 in Note principal converted, the holder will receive one additional share of Common Stock and two Class B Warrants, each exercisable for a period of three years at an exercise price of $0.75 per share. As of September 30, 2012 none of the Notes have been converted.

All $850,000 of units were sold during the year ended June 30, 2012. Of this amount, $703,500 mature on October 31, 2013, and $146,500 mature on February 7, 2014. We applied the provisions of ASC 470-20 Debt With Conversions and Other Options in which the fair value of the warrants are allocated to stockholders equity and considered as a discount to the face amount of the Note principal. The resulting discount to the Notes is amortized to interest expense over the life of the Notes. Should a Note be converted or paid prior to the maturity date, the related discount would be charged off, pro-rata, to interest expense.

The estimated fair value of the investor warrants issued from the sale of $703,500 of convertible notes on October 31, 2011 is $322,000, and was determined using the following assumptions:

Expected volatility	139%
Contractual term	3 years
Risk free interest rate	0.48%
Expected dividend rate	0%

The estimated fair value of the warrants issued from the sale of $146,500 of convertible notes on February 7, 2012 is $43,500, and was determined using the following assumptions:

Expected volatility

138%

Contractual term

3 years

Risk free interest rate

0.35%

Expected dividend rate

0%

In addition, based on the trading price of the Company s common stock on the date of issue of these Notes, in accordance with ASC 470 the conversion terms were considered a beneficial conversion features. The beneficial conversion feature for the $703,500 notes sold on October 31, 2011, representing the intrinsic value of the difference between the fair value of underlying common stock on the issue date and the terms of the conversion was calculated to be approximately $520,000. However, ASC 470-20-30-8 limits the amount of the beneficial conversion feature to be allocated to the proceeds of the debt, after the allocation of the fair value of the warrants, to the total proceeds of the debt. Therefore, $381,500 relating to the beneficial conversion features was allocated to stockholders equity and is reflected as a discount to the amount of the notes and is being amortized to interest expense over the term of the notes. An additional $29,300 relating to the beneficial conversion features of the $146,500 in convertible notes sold on February 7, 2012 was allocated to stockholders equity and is reflected as a discount to the amount of the notes and is being amortized to interest expense over the term of the notes. Should a Note be converted or paid prior to the maturity date, the related discount would be charged off, pro-rata, to interest expense.

For the three months ended September 30, 2012, interest expense relating to the amortization of the debt discount for the fair value of the warrants and the beneficial conversion feature was $97,038. No such interest expense relating to the amortization of the debt discount was charged during the three months ended September 30, 2011.

The Company engaged the services of a broker-dealer as a selling agent to assist in this offering of securities. On sales involving the assistance of the selling agent, the Company paid the selling agent a fee equal to 5% of the price of the securities, and 10% common stock and warrant coverage on all shares of common stock underlying the securities sold by the selling agent. Through completion of the private offering in 2012 the Company had paid to the agent a total of $42,500.

With respect to the sale of $703,500 of convertible notes on October 31, 2011, in addition to the agent s cash fees, the agent was entitled to 140,700 Class A warrants for sales of units involving the agent s assistance. The estimated fair value of the warrants in the amount of $65,000 has been allocated to stockholders equity and charged to the Company s operations as financing costs for the year ended June 30, 2012. The estimated fair value of the warrants was determined using the following assumptions:

Expected volatility	139%
Contractual term	3 years
Risk free interest rate	0.48%
Expected dividend rate	0%

With respect to the sale of $146,500 of convertible notes on February 7, 2012, in addition to the agent s cash fees, the agent was entitled to 29,300 Class A warrants for sales of units involving the agent s assistance. The estimated fair value of the warrants in the amount of $8,700 has been allocated to stockholders equity and charged to the Company s operations as financing costs for the year ended June 30, 2012. The estimated fair value of the warrants was determined using the following assumptions:

Expected volatility

138%

Contractual term

3 years

Risk free interest rate

0.35%

Expected dividend rate

0%

In addition to the cash fees and warrant coverage for selling agent assisted sales, for each $100 of Notes converted, the agent would be entitled to an additional 10 shares of the company s common stock and 20 Class B Warrants. Each Class B Warrant is exercisable for a period of three years at an exercise price of $0.75 per share. A contingency exists for this feature, the outcome of which cannot be determined.

8. STOCKHOLDERS' EQUITY

Preferred Stock

The Company has authorized 10,000,000 shares of preferred stock. These shares may be issued in series with such rights and preferences as may be determined by the Board of Directors.

Series A Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 2,000,000 shares of $2.00 stated value, Series A Preferred Stock. The preferred stock has a senior liquidation preference value of $2.00 per share. It does not bear dividends. The conversion privileges originally included with the stock have expired. The preferred stock originally contained a mandatory redemption feature that required the Company to redeem the outstanding stock on May 31, 1995 at a rate of $2.00 per share. On May 31, 1995, a majority of the preferred stockholders agreed to waive the mandatory redemption in consideration for a lower conversion price into common shares at $1.125 per share. Subsequently, holders of 1,205,750 shares of Series A preferred stock converted their holdings into common stock. The remaining 200,500 outstanding shares of Series A preferred stock are held by owners who chose not to participate in the revised offer and remain outstanding at September 30, 2012. During the year ended June 30, 2005, the Company determined that the mandatory redemption feature expired due to the statute of limitations. Accordingly, the Series A preferred stock was reclassified from current liabilities to stockholders' equity.

Series B Convertible Redeemable Preferred Stock

The Company's Board of Directors has authorized 400,000 shares of $10.00 stated value, Series B Convertible Preferred Stock. Each share of Series B preferred stock is convertible into one share of the Company's common stock or may be redeemed at an exercise price of $10.00 per share. In addition, the Series B shares have a junior liquidation preference of $10.00 per share. Holders of the Series B preferred stocks are entitled to receive an annual dividend payable at the rate of 8% per annum, which is cumulative, and unpaid dividends bear interest at an annual rate of 12%. As of September 30, 2012 there were no shares outstanding.

Series C Convertible Preferred Stock

In January 1999, the Board of Directors of the Company ratified the issuance of Series C preferred stock. The Company has authorized 600,000 Series C shares with a stated value of $1.20 per share. Series C shares are convertible into common stock at a rate of $1.20 per share. 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. In addition, the holders of Series C preferred stock are entitled to participate, pro rata, in dividends paid on outstanding shares of common stock. The dividends are cumulative and unpaid dividends bear interest at an annual rate of 10%. As of September 30, 2012 there were no shares outstanding.

Series D Convertible Preferred Stock

In February 2008, the Board of Directors of the Company established a series of the class of preferred stock designated Series D Convertible Preferred Stock (Series D preferred stock) and authorized an aggregate of 1,000,000 non-voting shares with a stated value of $1.00 per share. Holders of the Series D preferred stock are entitled to receive dividends at the annual rate of eight percent (8%) based on the stated value per share computed on the basis of a 360 day year and twelve 30 day months. Dividends are cumulative, shall be declared quarterly, and are calculated from the date of issue and payable on the fifteenth day of April, July, October and January. The dividends may be paid, at the option of the holder either in cash or by the issuance of shares of the Company s common stock valued at the market price on the dividend record date. Shares of the Series D preferred stock are redeemable at the Company s option. At the option of the holder shares of the Series D preferred stock plus any declared and unpaid dividends are convertible to shares of the Company s common stock at a conversion rate of $1.00 per share.

In March 2008, the Company completed a private offering of 700,000 shares of Series D Preferred stock. The $700,000 proceeds from the private offering were used as partial payment to the seller of Doc Holliday at the acquisition closing on March 18, 2008.

On September 30, 2012, dividends of $14,311 were declared and are included in accrued expenses at September 30, 2012. All other quarterly dividends declared have been paid.

Series E Convertible Preferred Stock

On July 12, 2010, the Company s Board of Directors approved an Amendment to the Articles of Incorporation of the Company to authorize a new series of preferred stock designated Series E Convertible Preferred Stock (Preferred Stock). The Amended and Restated Certificate of Designations, Preferences and Rights of Series E Convertible Preferred Stock authorized six hundred thousand (600,000) shares of the Company s authorized Preferred Stock to be designated as Series E

Convertible Preferred Stock, having a stated value of $0.25 per share. Holders of the Preferred Stock shall have no voting rights, but shall be entitled to receive dividends when, as and if declared by the Board of Directors, in its sole discretion. In addition, the holders of the Preferred Stock shall be entitled to participate, *pro rata*, in dividends paid on outstanding shares of common stock. The Preferred Stock is redeemable by the Company at its sole option and discretion at any time after six months from the initial issue date, at the Preferred Stock s stated value plus any accrued and unpaid dividends, if any, and may be paid in cash or in shares of common stock valued at 75% of the volume weighted-average price of the common stock for the ten trading days immediately prior to the date of the redemption notice. In addition, at any time prior to redemption, but after the earlier of ninety days from the date of issuance, or the effective date of a Registration Statement registering for sale the shares of the common stock issuable upon such conversion, holders of the Preferred Stock shall have the right to convert their shares into common stock, at a conversion rate of $0.25 per share plus any accrued or unpaid dividends. As of September 30, 2012, no shares of Series E Convertible Preferred Stock were outstanding.

Common Stock

The Company has authorized 50,000,000 shares of $0.05 par value common stock.

On July 24, 2012 an investor converted $25,000 of principal plus $2,503 of accrued interest on our 5% Convertible Notes, into shares of the Company s common stock. As a result, 110,014 shares of common stock were issued to the investor.

As discussed in Loan Participation Obligations, in November 2009 the Company issued 50,000 shares of the Company s common stock valued at $0.38 per share determined by market trading activity on and around the settlement date, as a participation fee to an unaffiliated third party. The participant was also entitled to 50,000 shares of the Company s common stock on the first and second annual anniversaries, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.12 per share, the closing price of the Company s common stock on November 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.45 per share, the closing price of the Company s common stock on November 30, 2011.

Also as discussed in Loan Participation Obligations, in December 2009 the Company issued 3,000 shares of the Company s common stock valued at $0.39 per share determined by market trading activity on and around the settlement date, as a participation fee to a director. The participant was also entitled to 3,000 shares of the Company s common stock on the first and second annual anniversaries, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.09 per share, the closing price of the Company s common stock on December 30, 2010. The second anniversary shares were issued in February 2012, at a value of $0.42 per share, the closing price of the Company s common stock on December 30, 2011.

On January 5, 2007, the stockholders approved a proposal to adopt and approve a reverse split of up to a ratio of one-for-five of the issued and outstanding shares of our common stock, and issued and outstanding options, warrants and other rights convertible into shares of our common stock, all at the discretion of our Board of Directors to be implemented in the future as and when determined by our Board of Directors. That reverse split has not been implemented.

9. COMMITMENTS AND CONTINGENCIES

Leases

The Doc Holliday Casino currently leases approximately 13,000 square feet of space used for its gaming activities, supporting offices and storage space for $25,362 per month under an operating lease that terminates in July 2015. The lease requires the Casino to pay for all building expenses until the landlord secures additional tenants to occupy the remaining building space. If the building is fully leased the Casino s proportionate share will be equal to 32% of the total building expense burden. The lease also provides for a credit against future monthly rent payments to the extent the total building expenses paid by the casino increase by more than 3% over a 2004 base year calculation (floor). The total amount of building expenses expected to be in excess of the floor is estimated and capitalized on a monthly basis and reconciled to the actual allowable excess annual expenses in April each year. The actual excess expenses are available for credit against rent payments beginning the following July each year under the lease. At September 30, 2012 the total credit available to apply against future rent payments was approximately $49,000. Rent expense for each of the three months ended September 30, 2012 and 2011, net of applied monthly expense credits was $72,622.

On January 29, 2010 the landlord of the Doc Holliday Casino property agreed to a rent abatement in the total aggregate amount of $40,000 prorated over a six month term in the amount of $6,667 per month beginning in February, 2010 and continuing through July 2010. In consideration of the rent abatement the Company agreed to replace all carpeting on the first floor of the premises, which was completed in February 2010, at a cost of approximately $29,000. The amount of the rent abatement in excess of the cost of the carpet replacement, or approximately $11,000, was recorded as deferred rent and is being amortized to rent expense over the remaining life of the lease.

On December 31, 2010 the Company and the landlord of the Doc Holliday Casino property agreed to amend the lease agreement noted above. As a result, for the period commencing January 1, 2011 and ending December 31, 2011 the base rent was adjusted to $250,000, payable at a rate of $20,833 per month. The amendment resulted in a monthly reduction of the base rent of approximately $4,500 per month during the abatement period. The total rent abatement under the agreement of approximately $54,000 was recorded as deferred rent and is being amortized to rent expense over the remaining life of the lease. All existing agreements with respect to triple net expenses and the cap on the Company s liability for annual increases in such expenses remained in effect for the lease period. In consideration of the rent abatement, the Company agreed that the digital surveillance system installed on the premises would be deemed the sole and separate property of the landlord upon termination of the lease. At September 30, 2012 the system had a net book value of approximately $31,000.

Beginning January 1, 2012, the Company has continued to pay rent at the modified rate agreed to in 2011, with the acquiescence of the landlord but without a formal agreement extending the modification.

Future minimum lease payments considering the rent abatement but before application of rent credits for the fiscal years ending June 30 are as follows:

2013	$	228,258
2014		304,344
2015		304,344
2016		25,362
Total	$	862,308

10. INCOME TAXES

The Company and its subsidiaries are subject to income taxes on income arising in, or derived from, the tax jurisdictions in which they operate. The Company is current with all its federal and state tax filings, and no periods have been subjected to IRS examination.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are comprised entirely of net operating loss carry-forwards.

For the years ended June 30, 2012 and 2011, the reconciliation between the statutory tax rate and the effective tax rate as a percentage is as follows:

	2012	2011
Statutory federal income tax rate	34%	34%
Statutory state income tax rate	4%	4%
Effect of net operating loss carry-forward	(38)	(38)
	-%	-%

At June 30, 2012, the Company had net operating loss carry forwards of approximately $6,805,000 available to reduce future taxable income. The net operating loss carry forwards expire in the years ending June 30 as follows:

2016	$ 897,000
2017	518,000
2018	790,000
2019	1,985,000
2020	316,000

2021	985,000
2022	82,000
2029	30,000
2030	198,000
2031	327,000
2032	677,000
	$6,805,000

When more than a 50% change in ownership occurs, over a three-year period, as defined, the Tax Reform Act of 1986 limits the utilization of net operating loss (NOL) carry forwards in the years following the change in ownership. Therefore, the Company's utilization of its NOL carry forwards may be partially reduced as a result of changes in stock ownership. No determination has been made as of June 30, 2012, as to what implications, if any, there will be in the net operating loss carry forwards of the Company. In addition, the Company has a limited history of earnings, and there is no guarantee of future earnings to offset the net operating loss carry forwards. The deferred tax asset resulting from the net operating loss carry forwards of approximately $2,314,000 is offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry forwards. The net increase in the valuation allowance was approximately $230,000 from June 30, 2011 to June 30, 2012, and primarily results from the operating loss for the year ended June 30, 2012.

11. STOCK INCENTIVE PLAN

The Company has a Stock Incentive Plan (the "Incentive Plan"), that allows the Company to grant incentive stock options and/or purchase rights (collectively "Rights") to officers, employees, former employees and consultants of the Company and its subsidiaries.

A summary of stock option activity is as follows:

	Number of Shares	Weighted average Exercise Price
Balance at June 30, 2011	135,000	$ 1.00
Granted	-	
Exercised	-	
Surrendered	-	
Balance at June 30, 2012	135,000	$ 1.00
Granted	-	
Exercised	-	
Surrendered	-	
Balance at September 30, 2012	135,000	$ 1.00

The following table summarizes information about fixed-price stock options at September 30, 2012**:**

	Outstanding			Exercisable	
Exercise Price	Weighted Average Number Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Number Exercisable	Exercise Price
$ 1.00	135,000	0.25 years	$ 1.00	135,000	$ 1.00

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on historical volatility as well as expected trends for any known or expected events that might affect the volatility of our future stock prices. Because of the lack of historical forfeiture data, no adjustments to the expected option life were made for expected forfeitures. The expected life represents an estimate of the time options are expected to remain outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. treasury yield in effect at the time of grant.

For the three months ended September 30, 2011 and 2012, no options or warrants to purchase common stock were granted under the stock incentive plan, and as such we recorded no compensation expense under the requirements as discussed above.

12. CONSULTING AGREEMENTS

The Company had no significant consulting agreements at September 30, 2012.

13. RELATED PARTIES

An officer and director operates a law firm that provides legal services to the Company. During the three months ended September 30, 2012 and 2011, his billings to the Company totaled $15,002 and $34,257, respectively. At September 30 and June 30 2012, amounts due to him were $6,210 and $7,891, respectively, and are included in accounts payable, related parties.

The Company contracts with an officer to provide management and accounting services to the Company. During the three months ended September 30, 2012 and 2011, his billings to the company for services were $7,125 and $8,750, respectively. At September 30 and June 30, 2012, amounts due him were $1,125 and $4,750, respectively, and are included in accounts payable, related parties.

On December 30, 2009 the Company executed an Allonge and Loan Participation Agreement whereby the Company assigned to a director for an undivided 2.08% interest in a mortgage note receivable from the Bull Durham Casino for total consideration of $15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. As discussed above, the participant is also entitled to 3,000 shares of the Company s common stock on the first and second annual anniversaries, provided that on each issue date there remains outstanding and unpaid any amount due and owing under the participant interest. The first anniversary shares were issued in February 2011, at a value of $0.09 per share, the closing price of the Company s common stock on the anniversary date. The second anniversary shares were issued in February 2012, at a value of $0.42 per share, the closing price of the Company s common stock on December 30, 2011. This transaction is further discussed in footnote titled Loan Participation Obligations.

14. JOINT VENTURE OBLIGATION

On February 28, 2006, the Company entered into an Organization Agreement with a certain individual to form a for-profit limited liability company under the name of Global Gaming Technologies, LLC (GGT). Under the terms of the Agreement, the individual contributed to GGT all of his intellectual property rights related to two games of poker. The Company agreed to make an initial cash capital contribution to GGT of $100,000, for which it received a 25% equity interest in

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GGT. At the Company s election, it may make an additional $100,000 cash capital contribution to GGT for which it will receive an additional 25% equity interest.

As of September 30, 2012 the further development of the two games had been suspended. Through September 30, 2012, the Company had made cash payments directly to or on behalf of GGT of $76,395 as part of the initial $100,000 cash capital payments required under the Agreement. The remaining $23,605 obligation is recorded as a current liability pending the determination of any future activity of this joint venture. As of September 30, 2012, GGT had no revenues.

15. DEFINITIVE AGREEMENTS

On June 1, 2012, the Company entered into two definitive agreements: one which would result in the sale and divestiture of all of its gaming interests; and the second that would result in the Company acquiring a real estate investment trust (REIT) engaged in the acquisition of real estate interests focused on the healthcare industry.

Split-Off Agreement: Effective June 1, 2012, the Company entered into a definitive Split-Off Agreement with Gemini Gaming LLC (Gemini), to sell all of its gaming properties, interests and operations (the Split-Off). Gemini is controlled by Clifford Neuman, the Company s President and Director, Pete Bloomquist, a Director, and Doug James, the General Manager of the Company s two casinos.

Gemini will purchase the outstanding equity of Split-Off Subsidiary in consideration of (i) the assumption of all responsibility for any debts, obligations and liabilities associated with the Gaming Assets, plus (ii) payment in an amount equal to the Company s net tangible book value, excluding the Company s 5% Convertible Notes in the aggregate principal amount of $120,000 and further excluding approximately $500,000 in a note receivable the Company advanced to Georgia Healthcare REIT, Inc. (Georgia REIT), on June 22, 2012 which is further discussed above in Note 2 Note Receivable. The Purchase Price will be evidenced by a promissory note which will be payable, together with interest at the rate of 4% per annum, in quarterly installments over a term of 20 years. The Note will be secured by a pledge of all of the outstanding equity securities of Split-Off Subsidiary.

Consummation of the Split-Off is subject to numerous conditions, including the approval of the Global shareholders, the approval of a Change of Ownership of the two casino licenses by the Colorado Division of Gaming, the concurrent closing of the Company s acquisition of Georgia REIT, and other conditions customary in transactions of this nature. Gemini Gaming has applied for a Change of Ownership with the Division of Gaming, which application is pending. No prediction can be made when the Split-Off will be consummated.

Stock Purchase Agreement: Also effective June 1, 2012, the Company entered into a definitive Stock Purchase Agreement (Stock Purchase), to acquire 100% of the issued and outstanding shares of equity securities of Georgia REIT, which was formed and organized to acquire real estate interests focused in the healthcare industry. The purchase price will consist of advances to Georgia REIT as discussed above, which will be eliminated on consolidation upon consummation of the Stock Purchase, and $100 in cash.

Consummation of the Stock Purchase is subject to numerous conditions, including the approval of the Georgia REIT shareholder, the approval of a Change of Ownership of the two casino licenses by the Colorado Division of Gaming, the concurrent closing of the Split-Off Agreement, a definitive Information Statement under Sections 14(c) and 14(f) of the Exchange Act is filed with the SEC and mailed to the Company s shareholders, and other conditions customary in transactions of this nature.

16. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the time of issuance of the financial statements.

Conversions of 5% Convertible Notes: Effective October 31, 2012 a total of $45,000 of 5% Convertible Notes together with $5,119 of accrued interest was converted to Series E Convertible Preferred Stock that was immediately converted to an aggregate of 200,476 shares of the Company s common stock. For further discussion of the notes, see Note 7, Convertible Debt.

Modification of Debt Agreement: On November 9, 2012 a debt agreement with the holder of a Second Mortgage and Deed of Trust was modified by agreement. The agreement established terms of annual principal pay downs and extensions of maturity dates. This modification is further discussed above in Note 5, Notes Payable and Long Term Debt.

Modification of Participation Agreements: Effective October 11, 2012, the Company executed an Amended and Restated Allonge and Loan Participation Agreement whereby the Company borrowed an additional $55,000 from the primary participant which was added to the existing loan participation interest in the note and secured deed of trust against the Bull Durham Casino real estate. As consideration for the additional funding, the participant received common stock purchase warrants exercisable for five years to acquire up to 60,000 shares of the Company s common stock at an exercise price of $1.25 per share. The amended agreement also extended the maturity dates of the participants interests to December 31, 2015. See also Note 6, Loan Participation Obligations.

Payoff of Note Payable to Seller of Doc Holliday Casino: In October 2012 the seller of the Doc Holiday Casino agreed to accept a lump sum payment in full satisfaction of a note payable with the principal balance of $190,667, and on October 15, 2012 the Company paid the note holder $95,000 to extinguish this obligation.

ITEM 2 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 our 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.

Overview

We operate in the domestic gaming industry. We were organized as a holding company for the purpose of acquiring and operating casinos, gaming properties and other related interests.

As of September 30, 2012, our operating subsidiaries were Casinos USA, Inc. ("Casinos USA, a Colorado corporation), which owns and operates the Bull Durham Saloon and Casino ("Bull Durham"), located in the limited stakes gaming district of Black Hawk, Colorado, and Doc Holliday Casino II, LLC (a Colorado limited liability company), which operates the Doc Holliday Casino (Doc Holliday), located in the limited stakes gaming district of Central City, Colorado.

Our operations are seasonal. Our casinos typically experience a significant increase in business during the summer tourist season.

We operate in a highly regulated environment subject to the political process. Our retail gaming licenses are subject to annual renewal by the Colorado Division of Gaming. Changes to existing statutes and regulations could have a negative effect on our operations.

Definitive Agreements

On June 1, 2012, we entered into two definitive agreements: one which will result in the sale and divestiture of all of our gaming interests; and the second that will result in the Company acquiring a real estate investment trust (REIT) engaged in the acquisition of real estate interests focused on the healthcare industry.

Split-Off Agreement: Effective June 1, 2012, the Company entered into a definitive Split-Off Agreement with Gemini Gaming LLC (Gemini), to sell all of its gaming properties, interests and operations (the Split-Off). Gemini is controlled by Clifford Neuman, the Company s President and Director, Pete Bloomquist, a Director, and Doug James, the General Manager of the Company s two casinos.

Gemini will purchase the outstanding equity of Split-Off Subsidiary in consideration of (i) the assumption of all responsibility for any debts, obligations and liabilities associated with the Gaming Assets, plus (ii) payment in an amount equal to the Company s net tangible book value, excluding the Company s 5% Convertible Notes in the aggregate principal amount of $120,000 and further excluding approximately $500,000 in a note receivable the Company advanced to Georgia Healthcare REIT, Inc. (Georgia REIT), on June 22, 2012. The Purchase Price will be evidenced by a promissory note which will be payable, together with interest at the rate of 4% per annum, in quarterly installments over a term of 20 years. The Note will be secured by a pledge of all of the outstanding equity securities of Split-Off Subsidiary.

Consummation of the Split-Off is subject to numerous conditions, including the approval of the Global shareholders, the approval of a Change of Ownership of the two casino licenses by the Colorado Division of Gaming, the concurrent closing of the Company s acquisition of Georgia REIT, and other conditions customary in transactions of this nature. Gemini Gaming has applied for a Change of Ownership with the Division of Gaming, which application is pending. No prediction can be made when the Split-Off will be consummated.

Stock Purchase Agreement: Also effective June 1, 2012, we entered into a definitive Stock Purchase Agreement (Stock Purchase), to acquire 100% of the issued and outstanding shares of equity securities of Georgia REIT, which was formed and organized to acquire real estate interests focused in the healthcare industry. The purchase price will consist of advances to Georgia REIT as discussed above, which will be eliminated on consolidation upon consummation of the Stock Purchase, and $100 in cash.

Consummation of the Stock Purchase is subject to numerous conditions, including the approval of the Georgia REIT shareholder, the approval of a Change of Ownership of the two casino licenses by the Colorado Division of Gaming, the concurrent closing of the Split-Off Agreement, a definitive Information Statement under Sections 14(c) and 14(f) of the Exchange Act is filed with the SEC and mailed to the Company s shareholders, and other conditions customary in transactions of this nature.

Results of Operations Three Months Ended September 30, 2012 Compared to the Three Months Ended September 30, 2011

We recognized a net loss attributable to common shareholders after $14,311 of dividends on our Series D preferred stock of $(142,887) ($(0.02) per share) for the three months ended September 30, 2012, compared to a net loss attributable to common shareholders after dividends of $14,311, of $(88,742) ($(0.01) per share) for the three months ended September 30, 2011. The increase in the net loss for the three months ended September 30, 2012 is primarily attributable to additional interest expenses resulting from the issuance of convertible debt during the year ended June 30, 2012. While we have seen some stabilization of casino gaming revenues, both three-month periods are reflective of the continuing poor local and regional economic environment.

Revenues

Casino revenues for the three months ended September 30, 2012 were $1,376,067 compared to $1,365,875 for the three months ended September 30, 2011, a slight increase of $10,192 or 0.7%. Total casino revenues for the Bull Durham were $842,414 and $824,048 for the three months ended September 30, 2012 and 2011, respectively, an increase of $18,366 or 2.2%. Total casino revenues for Doc Holliday were $533,653 and $541,827 for the three months ended September 30, 2012 and 2011, respectively, a decrease of $(8,174) or 1.5%. Total casino coin-in was down 8.1% for the three months ended September 30, 2012 compared to the three months ended September 30, 2011. However, we experienced an increase of 0.65% in our hold percentage for the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

Promotional allowances primarily include anticipated redemptions associated with the Bull Durham Casino s Sharpshooter s Club which awards customers with cash payouts dependent upon the frequency and amount of their gaming activities on our slot machines. The total allowances increased by $21,514 from $41,520 to $63,064, for the three months ended September 30, 2011 and 2012, respectively.

Operating Expenses

Casino operations: Includes all expenses associated with the operations of the Bull Durham Casino and the Doc Holliday Casino for the three months ended September 30, 2012 and 2011. The following table summarizes such expenses for comparison and discussion purposes:

	For the three months ended			
	September 30, 2012	**September 30, 2011**	**$ Change**	**% Change**
Labor & Benefits	$467,511	$457,682	$9,829	2.1%
Marketing & Advertising	290,720	336,545	(45,825)	-13.6%
Depreciation & Amortization	88,796	85,924	2,872	3.3%
Food & Beverage	75,749	84,505	(8,756)	-10.4%
Repair, Maintenance & Supplies	63,256	57,505	5,751	10.0%
Device fees	102,085	105,340	(3,255)	-3.1%
Professional fees	11,700	11,700	-	0.0%
Insurance, Taxes & Licenses	50,287	49,576	711	1.4%
Utilities & Telephone	37,590	44,746	(7,156)	-16.0%
Occupancy	58,822	58,822	-	0.0%

Other casino expenses	19,909	9,865	10,044	101.8%
	$1,266,425	$1,302,210	$(35,785)	-2.7%

Labor & Benefits: Includes all salary and contract labor costs associated with the operations of the casinos, payroll taxes, as well as costs associated with the casinos   employee benefit and health insurance plans. The 2.1% increase is primarily attributable to adjustments to casino labor based on casino gaming activity. Total labor and benefits costs as a percentage of casino revenues increased from 33.5% to 34.0% for the three months ended September 30, 2011 and 2012, respectively.

Marketing & Advertising: Includes all costs associated with our advertising and marketing efforts including promotional activities designed to drive customers to our casinos, and programs designed to foster customer loyalty. The $45,828 decrease is primarily attributed to decreases in our monthly customer mailings and other promotional materials and supplies.

Depreciation & Amortization: Primarily includes depreciation on our gaming equipment, casino building improvements, furniture and fixtures, as well as amortization on our customer tracking software. The slight year-over-year increase of $2,872 is attributable to a new ticket system installed in the Bull Durham Casino in fiscal 2012. Our efforts to upgrade existing slot machines versus purchasing of new machines due to capital constraints is ongoing. Dependent upon the availability of capital, we are continuing our efforts to upgrade and maintain the quality and appearance of the machines in both casinos as part of our strategy to provide the best customer experience possible to enhance customer loyalty.

Food & Beverage: Includes all costs associated with our bar and limited menu food services. Total food and beverage costs as a percentage of casino revenues were 5.5% and 6.2% for the three months ended September 30, 2012 and 2011, respectively.

Repair, Maintenance & Supplies: Includes costs associated with the general upkeep of the facility, as well as parts and repair efforts to maintain the quality of our slot machines. Total repair, maintenance and supplies costs as a percentage of casino revenues were 4.6% and 4.2% for the three months ended September 30, 2012 and 2011.

Device Fees: Includes fees paid to the local jurisdictions of the casinos based on the number of slot machines in operation.

Professional Fees: Includes all costs and fees associated with the casinos   legal services, accounting and auditing services, and the Board of Directors of Casinos USA (d/b/a The Bull Durham Saloon & Casino).

Insurance, Taxes & Licenses: Includes all non-payroll taxes, liability and property insurance, and licenses associated with the operation of the casinos. Total insurance, taxes and licenses as a percentage of casino revenues were 3.7% and 3.6% for the three months ended September 30, 2012 and 2011, respectively.

Utilities & Telephone: Includes all costs associated with the casinos   telephone systems, cell phone usage, and utility costs. Total utilities and telephone expenses as a percentage of revenues were 2.7% and 3.3% for the three months ended September 30, 2012 and 2011, respectively.

Occupancy: Includes lease costs of the Doc Holliday Casino, which leases approximately 13,000 square feet of space used for its gaming activities, supporting offices and storage space under an operating lease that terminates in July 2015. The lease requires the Casino to pay for a portion of the building expenses until the landlord secures additional tenants to occupy the remaining building space. To the extent the Casino pays total building expenses in excess of the Casino s portion as defined by the lease, any excess amounts paid are credited to the following lease year s rent payments. As of September 30, 2012, prepaid rent credits available to offset future rent payments was approximately $49,000 and are recorded as prepaid expenses and other current assets. The difference between the amount recorded as occupancy expense and the scheduled rent payments is due to the amortization of available prepaid rent credits resulting from certain prior payments of building expenses as discussed above.

On January 29, 2010 the landlord of the Doc Holliday Casino property agreed to rent abatement in the total aggregate amount of $40,000 prorated over a six-month term in the amount of $6,667 per month beginning in February 2010, and continued through July 2010. In consideration of the rent abatement the Company we replaced all carpeting on the first floor of the premises, which was completed in February 2010, at a cost of approximately $29,000. The amount of the rent abatement in excess of the cost of the carpet replacement, or approximately $11,000, was recorded as deferred rent and is being amortized to rent expense over the remaining life of the lease.

On December 31, 2010 the landlord of the Doc Holliday Casino property agreed to further amend the lease agreement. As a result, for the period commencing January 1, 2011 and ending December 31, 2011 the base rent was $250,000, payable at a rate of $20,833 per month. The amendment resulted in a monthly reduction of the base rent of approximately $4,500 per month during the abatement period. The total rent abatement under the agreement of approximately $54,000 was recorded as deferred rent and is being amortized to rent expense over the remaining life of the lease. All existing agreements with respect to triple net expenses and the cap on the Company s liability for annual increases in such expenses remain in effect for the lease period. In consideration of the rent abatement, the Company agreed that the digital surveillance system installed on the premises would be deemed the sole and separate property of the landlord upon termination of the lease. At June 30, 2012 the system had a net book value of approximately $31,000. Beginning January 1, 2012, the Company has continued to pay rent at the modified rate agreed to for 2011 with the landlord s acquiescence but without a formal extension agreement.

Other Casino Expenses: Includes all other costs of the casino operations not included in the above categories, including travel, armored car services, postage, casino entertainment, employee education programs, bank and other financing fees, and lease costs associated with certain gaming equipment and off-site storage units. Total other casino expenses as a percentage of revenues were 1.4% and 0.7% for the three months ended September 30, 2012 and 2011, respectively.

Operating, general, and administrative expenses: Generally includes all expenses associated with the operations of the parent entity, Global Casinos, Inc., including legal and executive services provided by the company s principal executive officer, accounting services provided by the company s principal accounting officer, as well as clerical and bookkeeping services, corporate marketing and financing, and stock-based compensation costs relating to the company s executive officers, directors, and subsidiary management.

Total operating, general, and administrative costs were $46,078, as compared to $64,788 for the three months ended September 30, 2012 and 2011, respectively, a decrease of $(18,710), or 28.9%. The net decrease is primary attributable to certain legal expenses incurred during the three months ended September 30, 2011 associated with the Company s 2011 securities offering, as well as legal costs associated with the Company s defense of claims of sexual harassment brought by two former employees of the Doc Holliday Casino, which was settled during fiscal 2012.

Loss on asset disposals

During the year ended June 30, 2011 we disposed certain casino equipment with a remaining book value of $5,679. There were no proceeds received regarding these disposals. The resulting $5,679 loss was recorded as a loss on asset disposals during the three months ended September 30, 2011.

Interest Expense

Net interest expense was $129,106 for the three months ended September 30, 2012 compared to $26,109 for the three months ended September 30, 2011, and primarily represents regularly scheduled payments on various mortgages collateralized by the Bull Durham Saloon and Casino real estate, certain debt incurred to facilitate the acquisition of the Doc Holliday Casino in March 2008, and interest on our loan participation obligations and convertible debt.

In addition to regular interest associated with the instruments above, the 8% Convertible debt sold during the second and third quarters of fiscal year ended June 30, 2012 included detachable warrants. The estimated fair value of the warrants was $439,200, which was allocated to stockholders equity and recorded as a discount to the face value of the convertible notes. This amount is being amortized over the two-year life of the debt to interest expense. During the three months ended September 30, 2012, $45,688 of the discount was amortized representing a non-cash charge to interest expense. Furthermore, the conversion terms of the 8% Convertible debt also included a beneficial conversion feature totaling $410,800. This amount is also being amortized over the two-year life of the debt to interest expense. During the three months ended September 30, 2012, $51,350 of the discount was amortized representing a non-cash charge to interest expense.

Interest expense is partially offset by interest income earned on certain cash balances maintained at financial institutions.

Other

Series D Preferred Stock: Holders of our Series D Preferred Stock are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable the 15th day of April, July, October and January of each year. For each of the three months ended September 30, 2012 and 2011, dividends of $14,311 were declared on the Series D Preferred Stock. Dividends declared on September 30, 2012 and 2011 were subsequently paid in October 2012 and 2011, respectively.

Net Operating Loss Carryover: For federal income tax purposes, Global has a net operating loss carryover (NOL) approximating $6,805,000, which can be used to offset future taxable income, if any. Under the Tax Reform Act of 1986, the amounts of and the benefits from NOL's are subject to certain limitations including restrictions imposed when there is a loss of business continuity or when ownership changes in excess of 50% of outstanding shares, under certain circumstances. There is no guarantee that Global will be able to utilize its NOL before it expires and accordingly, no potential benefit has been recorded in the financial statements.

Inflation did not have a material impact on the Company's operations for the period.

Other than the foregoing, management knows of no trends, demands, or uncertainties that are reasonably likely to have a material impact on the Company's results of operations.

Liquidity and Capital Resources

Our primary source of cash is internally generated through operations. As of September 30, 2012, neither the Company nor its subsidiaries have commercial bank credit facilities. Consequently, we believe that cash necessary for future operations must be internally generated though our casino operations. Cash flow at one of the Company s operating subsidiaries, Bull Durham, has been sufficient to fund operations and we believe that cash flow will be sufficient during the next twelve months to continue our operations. Cash flows from our other operating subsidiary, Doc Holliday, have not been sufficient to fund its operations and necessary capital improvements. From time to time, we have depended on funds received through debt and equity financing to address operating shortfalls and capital requirements. We have 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 us in the future if necessary, as there is no legal obligation on these parties to provide such loans.

The report of the independent accountant that audited the Company's financial statements for the year ended June 30, 2012 includes a qualification that the Company may not continue as a going concern. In that event, the Company might be liquidated and its assets sold to satisfy any claims of creditors. See Note 1 to the financial statements attached to this report for a more complete description of this contingency.

Effective September 19, 2009, all of the secured obligations of Casinos, USA, Inc., a wholly-owned subsidiary of Global Casinos, Inc. had matured and became due and payable. The secured obligations are secured by deeds of trust encumbering the Bull Durham Casino property located in Blackhawk, Colorado.

On November 30, 2009 we consummated a Loan Document Purchase and Assignment Agreement with the holder of the senior mortgage of the Bull Durham Casino in which the Company obtained all of the rights, title and interest in and to the Note and Loan Agreement. The total amount of consideration paid to the holder was $730,710 which included principal of $721,021, interest accrued to the purchase date of $5,689, and a fee of $4,000 to cover legal and administrative costs of the holder. Also on November 30, 2009 we executed a Loan Participation Agreement whereby the Company assigned to an unaffiliated third party an undivided 34.7% interest in the Note for total consideration of $250,000 and a loan participation fee of 50,000 shares of the Company s common stock valued at $0.38 per share. And on December 30, 2009 the Company executed a Loan

Participation Agreement whereby the Company assigned to a director an undivided 2.08% interest in the Note for total consideration of $15,000 and a loan participation fee of 3,000 shares of the Company s common stock valued at $0.39 per share. The remaining undivided 63.22% interest in the Note is owned by the Company and is eliminated in consolidation as the debtor is a wholly owned operating subsidiary. The Note has not been modified and continues to be in technical default.

Effective October 11, 2012, the Company and the participants consummated an Amended and Restated Allonge and Loan Participation Agreement. The amended agreement provided for an additional $55,000 of borrowing from the primary participant, which amount was added to the existing loan participation interest. As consideration for the additional funding, the participant received common stock purchase warrants exercisable for five years to acquire up to 60,000 shares of the Company s common stock at an exercise price of $1.25 per share. The amended agreement also extended the maturity dates of the participants interests to December 31, 2015.

On December 30, 2009 we consummated an Allonge and Modification Agreement with the holder of a second deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $616,988. The agreement required a principal pay down of $100,000, monthly principal and interest payments of $5,596 beginning on January 1, 2010, and extended the maturity date of the Note to December 31, 2010. In December 2010, the Company exercised its option to extend the maturity date of this Note to December 31, 2011 by an additional $50,000 principal pay down of the Note. In December 2011, the Company exercised its option to extend the maturity date of this Note to December 31, 2012 by an additional $50,000 principal pay down of the Note.

On November 9, 2012 a Second Allonge and Modification Agreement was consummated which waived the $50,000 principal pay down due on or before December 31, 2012 under the first Allonge and Modification Agreement, and established an annual $50,000 principal pay down due on or before December 31, 2013 and each year thereafter until the Note is paid in full. Providing that the annual principal reductions are made and that the Note or Second Deed of Trust are not in default, the maturity date of the Note shall be extended to December 31, 2013 and thereafter shall be extended to December 31st each succeeding year automatically until all principal and accrued interest is paid in full. At September 30, 2012 the balance of the Note was $323,599.

On March 22, 2010, we consummated an Allonge and Modification Agreement with the holder of a junior deed of trust note on the Bull Durham Casino. Immediately prior to the modification the Note had a principal balance of $176,540. The agreement requires monthly principal and interest payments of $1,911 beginning on April 1, 2010, and extended the maturity date of the Note to April 1, 2013.

While no additional agreements have been reached as of the date of this report, we have been in communication with the remaining junior mortgage note holders concerning the need to extend the maturity dates of the notes. Until their maturity, all payments required under the notes had been made in a timely fashion, and we intend to continue to make payments under the notes pending our efforts to renegotiate their maturity dates.

In addition, the note payable to the seller of Doc Holliday Casino acquired in March 2008, matured on March 31, 2009. The note did not bear interest, however upon its maturity a default interest rate of 8% with interest payments due monthly became effective. Since default, we have made interest payments under the default terms of the note. At the request of the note holder and beginning in January 2010, we had been making interest and additional monthly principal reduction payments of $12,500. Beginning in January 2011, we notified the noteholder that we would not be able to continue making the monthly principal reduction payments on the note. With the noteholder s acquiescence, but not express agreement, we had been making interest only payments and as cash flows allow, smaller principal reduction payments that totaled $20,000 during the year ended June 30, 2012. As of September 30, 2012, the note holder had not executed any modification agreement, and as such all the note principal in the amount of $190,667 is considered in technical default and is classified as a current obligation. In October 2012 the note holder agreed to accept a lump sum payment in full satisfaction of the obligation, and on October 15, 2012 the Company paid the note holder $95,000 to extinguish this obligation.

At September 30, 2012, the Company had cash and cash equivalents of $687,405, which is primarily utilized in our casino operations. Pursuant to state gaming regulations, the casinos are required to maintain cash balances sufficient to pay potential jackpot awards. Our cash balances at September 30, 2012 were in excess of funds required by gaming regulations.

Our working capital deficit decreased by $458,633 to a working capital deficit of $(394,016) at September 30, 2012 from a working capital deficit of $(852,649) at June 30, 2012. The working capital deficit is primarily due to mortgage debt associated with the Bull Durham casino now due or maturing within one year as discussed above, debt associated with the acquisition of the Doc Holliday casino, and the short-term portion of our loan participation obligations. Cash flows generated from our operations have been sufficient to service the monthly installments on our mortgage debt.

Cash provided by operating activities was $265,463 for the nine months ended September 30, 2012. For the three months ended September 30, 2011, operating activities provided net cash of $166,233. The year-over-year increase in cash provided by operating activities was primarily the result of the effect of non-cash interest charges associated with the amortization of the debt discounts as discussed above, and changes in our accrued gaming income asset for the three months ended September 30, 2012.

Cash used in investing activities was $(18,037) for the three months ended September 30, 2012, and represents purchases of improvements and gaming assets. No purchases of improvements or gaming assets were made for the three months ended September 30, 2011.

Cash used in investing activities was $(52,220) for the three months ended September 30, 2012, as compared to cash used in investing activities of $(40,271) for the three months ended September 30, 2011. Financing activities for both periods included principal payments on long term debt and participation obligations, as well as payment of dividends declared on our Series D Preferred Stock.

For the year ended June 30, 2013 and depending upon available capital resources, we expect to acquire gaming equipment and other capital items up to approximately $200,000, primarily to

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continue our efforts to upgrade and purchase new slot machines and leasehold improvements at the Doc Holliday Casino designed to improve the customer experience. We are also contemplating installing a customer tracking system at the Doc Holliday casino similar to the system operating at the Bull Durham casino. Such a system would require the outlay of approximately $500,000.

In March 2008, we completed a private offering of 700,000 shares of Series D Preferred stock with a stated value of $1.00 per share. The preferred stock is redeemable at any time only at the option of the Company. At the option of the holder, each preferred share is convertible to one share of the Company s common stock. Holders of our Series D Preferred Stock are entitled to receive dividends at the rate of 8% per year, declared quarterly and payable the 15th day of April, July, October and January of each year. Dividends declared on June 30, 2012 and 2011 in the amount of $14,156 for each period were paid in July 2012 and 2011. Dividends declared on September 30, 2012 and 2011 in the amount of $14,311 for each year were paid in October 2012 and 2011.

Effective January 1, 2010, Casinos USA entered into a Credit Agreement with Doc Holliday Casino II, LLC pursuant to which Casinos USA agreed to make available to Doc Holliday a revolving line of credit with a maximum loan balance of $500,000. The Credit Agreement is secured by a UCC security interest in all of the assets of Doc Holliday. The obligation under the Credit Agreement is eliminated in consolidation.

During the year ended June 30, 2011 we completed a private offering of securities consisting of $120,000 in 5% Unsecured Convertible Debentures. The Debentures will mature and be due and payable in July and August 2013. The principal amount of the Debentures accrue interest at the rate of 5% per annum and will be payable at the maturity date. As of September 30, 2012 a total of $10,342 of interest has been accrued on these notes. The Debentures are convertible, at anytime at the option of the investor, into shares of the Company s Series E Convertible Preferred Stock at a conversion price equal to $0.25 per share of Series E Preferred. The Debentures will automatically convert into shares of Series E Preferred Stock under certain circumstances. On July 24, 2012 an investor converted $25,000 of principal plus $2,503 of accrued interest, into shares of the Company s common stock. As a result, 110,014 shares of common stock were issued to the investor.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission regulation S-K.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates included herein relate to the recoverability of assets, the value of long-lived assets and liabilities, including estimates of liabilities incurred under customer rewards programs, the value of share based compensation transactions, the value of common stock purchase warrants, the long-term viability of the business, the future impact of gaming regulations, and future obligations under various tax statutes. Actual results may differ from estimates.

Other than the foregoing, management knows of no trends, demands, or uncertainties that are reasonably likely to have a material impact on the Company's liquidity and capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risk associated with our short-term money market investments. The Company does not have any financial instruments held for trading or other speculative purposes and does not invest in derivative financial instruments, interest rate swaps or other investments that alter interest rate exposure. The Company does not have any credit facilities with variable interest rates.

ITEM 4.

CONTROLS AND PROCEDURES

a. Disclosure Controls and Procedures

The Company's Principal Executive Officer and Principal Financial Officer have established and are currently maintaining disclosure controls and procedures for the Company. The disclosure controls and procedures have been designed to provide reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure.

The Principal Executive Officer and Principal Financial Officer conducted a review and evaluation of the effectiveness of the Company's disclosure controls and procedures and have concluded, based on their evaluation as of the end of the period covered by this Report, that our disclosure controls and procedures are not effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms and to ensure that the information required to be disclosed by the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosure.

b. Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Subsequent to December 31, 2011, a material adjustment was necessary to management s prepared financial statements, and the requirement for this adjustment was identified as a material weakness during the quarter ended December 31, 2011.

c. Limitations of any Internal Control Design

Our principal executive and financial officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were

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designed to provide reasonable assurance of achieving their objectives and our principal executive and financial officer have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

PART II

OTHER INFORMATION

Item 1.

Legal Proceedings

None, except as previously disclosed**.**

Item 1A.

Risk Factors

The following is an additional risk factor concerning our business as a result of current economic conditions in the United States.

Current difficult conditions in the financial services markets may materially and adversely impact our business

Dramatic declines in the values of, among other things, various derivative instruments, credit default swaps and the housing market, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. Many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers, including other financial institutions. This market turmoil and tightening of credit have also led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and possibly a general reduction of business activity. A continuation of these conditions could have, among other things, the following potential negative effects:

1)

A reduction in discretionary spending by consumers could significantly impact the customer traffic and revenues of our casino operations; and,

2)

While we do not depend on credit from the financial markets to finance our operations, all our long-term debt matured during 2009. The financial markets have experienced disruptions that have had a dramatic impact on the availability and cost of capital and credit. Our ability to re-finance our matured long-term debt is affected by the current financial market conditions. If we are successful in obtaining financing of our long-term debt, there can be no assurance that we will be able to negotiate rates and terms similar to those we currently have, and such negotiated rates could be significantly higher than those currently existing on our matured long-term debt.

Item 2

Unregistered Sales of Equity Securities and Use of Proceeds

None, except as previously disclosed.

Item 3.

Defaults Upon Senior Securities

None, except as previously disclosed.

Item 4.

Removed and Reserved

Item 5.

Other Information

None, except as previously disclosed.

Item 6.

Exhibits

31.

Certification

32.

Certification pursuant to 18 U.S.C. Section 1350

101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLOBAL CASINOS, INC.

Date: November 14, 2012

By */s/ Clifford L. Neuman*
Clifford L. Neuman

President

GLOBAL CASINOS, INC.

Date: November 14, 2012

By: */s/ Todd Huss*
Todd Huss,

Chief Financial Officer