BETCORP

Betcorp Limited ABN 69 081 765 531
Level 1, 199 Toorak Road South Yarra VIC 3141 Australia
Telephone +61 3 9824 1916 Facsimile +61 3 9824 0212
www.betcorp.com.au

29 October 2004

The Manager
Company Announcements
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000

15 pages

Dear Sir,

Q3 2004 SHAREHOLDERS LETTER & APPENDIX 4C RELEASE

Please find attached a copy of the letter to shareholders regarding the Q3 results to the 30th September 2004 for Betcorp Ltd together with the Appendix 4C for the period.

Please also be advised that the Company's principal place of business and registered office has now changed to:

Betcorp Ltd
Level 1, 199 Toorak Rd
South Yarra, 3141
Victoria, Australia
Telephone: +61 3 9824 1916
Facsimile: +61 3 9824 0212

For queries, please contact the Company's Chief Executive Officer, Mr. Colin Walker or the Chief Financial Officer and Company Secretary, Mr. Nick Tyshing on 03 9824 1916.

Yours faithfully,
Betcorp Limited

Nick Tyshing
Chief Financial Officer & Company Secretary

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Dear Shareholder,

Q3 2004 SHAREHOLDERS LETTER

Following significant management and Board changes from early August, the Company confirmed it would voluntarily file a Q3 Appendix 4C report together with a detailed explanation to shareholders as to the most recent financial performance and the surrounding events for the third quarter ("Q3") ended 30th September 2004.

The aim of this letter is provide additional background, explanatory notes and management commentary on the financial results beyond the Appendix 4C. This letter reflects the Board and management's commitment to continuous and transparent disclosure to the market as well as active shareholder communications.

Shareholders will be aware that there have been substantial changes to the Company in the last few months and that there have already been two ASX announcements in respect of the anticipated financial performance for Q3. The announcement made on the 14th of October communicated that the Company would incur a material net loss for Q3. At the request of the ASX it was further disclosed on the 18th of October that the losses were estimated to be in the range of $7m to $10m for the quarter.

Subsequent to the announcement on the 18th of October, the Company completed the compilation of the financial statements for Q3. The compilation of these accounts was hampered by a raft of complexities and legacy issues that made accurate and early estimates of losses difficult. These complexities included confused accounting and record keeping, challenges unravelling poorly negotiated and documented contracts, and poor systems for cost recording, control and recognition of liabilities. These issues made estimation of the loss difficult when the Company was forced to provide estimates of the Q3 loss by the ASX. Subsequent to that initial and preliminary estimate, further issues have arisen from the final wash up of the sale of Sportsbet, final Company reconciliations of key accounts, and the identification of significant liabilities associated with discovered contracts and consultancy agreements.

The final consolidated EBITDA loss for Q3 was $11.2m. Within this result, there were exceptional one-off costs of $9.1m. The net loss for the period after interest, tax, depreciation and amortisation was $11.3m.

BACKGROUND

On the 21st of July 2004, the Company advised the market of a $1.9m EBITDA loss for half year to the 30th June 2004. On the 6th of August the Company published the Appendix 4D that detailed half year results to the 30th June 2004 - announcing a $3.9m net loss for the period, against a profit of $7.9m for the corresponding period in 2003.

There were several reasons surrounding this financial performance and the published half year results. The main factors included:

1. Insufficient risk control in Tasman Gaming Inc. ("Tasman", a company domiciled in Antigua, West Indies);
2. Continued losses at the Sportsbet Pty Ltd subsidiary ("Sportsbet", a company domiciled in Darwin, Australia) despite several announcements to the contrary beginning on the 30th July 2003;
3. Excessive corporate overhead costs in the public company Head Office (previously domiciled in Sydney, Australia and now relocated to Melbourne).

Immediately subsequent to the publication of these half year results on 6th August, Simon Noble the Chief Executive of Tasman left office and resigned his directorship of the Company. A few weeks later, the Company Chairman John Priest resigned, followed by the Company's Group Chief Executive, Richard Barker.

The resignation of three of the company's four directors left Bill Graham as the sole Director of the Company for 9 days at the beginning of September before the Board was reinforced with appropriate industry knowledge and expertise through the new appointments of Colin Walker and Stuart Doyle on the 10th September 2004.

During this challenging transition period, shareholders will have observed the extensive media coverage and speculation over the resignation of the previous directors. However, this media coverage did not focus on the fundamental shareholder issue - the significant decline in year on year trading performance.

Q3 2004 FINANCIAL RESULTS

As set out in Table 1 below, the Company has incurred a net loss of $11.3m for Q3, which compares to a net profit of $2.3m for the corresponding period last year. On a year to date basis, the Company's net performance equates to a loss of $15.3m which compares to a net profit of $10.3m for the corresponding nine months in 2003. This equates to a year on year negative turnaround in performance of $25.6m.

Betcorp Ltd
Consolidated Statement of Financial Performance
For the Period 1st January to 30th September 2004

	Q3 '04 A$ '000s	**Q1 & Q2 '04 A$ '000s**	**Sep '04 YTD A$ '000s**
Wagering Turnover	261,394	525,238	786,632
Gross Profit	7,359	11,945	19,304
Gross Profit Margin %	*2.82*	*2.27*	*2.45*
Less Direct Costs	3,945	4,697	8,642
Contribution Margin	3,414	7,248	10,662
Overheads	5,477	9,239	14,716
EBITDA before exceptional one-off costs	(2,063)	(1,988)	(4,052)
Exceptional one-off costs	9,155	0	9,155
EBITDA after exceptional one-off costs	(11,218)	(1,988)	(13,207)
Net Loss	(11,375)	(3,965)	(15,340)

Table 1 – Consolidated Statement of Financial Performance

The trading loss for Q3 includes substantial exceptional costs and losses of $9,155,118 arising from the following three sources:

1. Sydney based Head Office (cost centre) - $334,240
2. Darwin based Sportsbet subsidiary (revenue centre) - $1,679,186
3. Miscellaneous extraordinary charges and write-offs - $7,141,692

1. Sydney Head Office - $334,240

The Head Office in Sydney was closed today and has been successfully relocated to a significantly streamlined operation in Melbourne. Monthly operating costs for this non revenue generating office were at unsupportable levels, and taken in conjunction with the disposal of Sportsbet the Company is now able to reduce its Australian based staff to an absolute minimum required to maintain the Australian public company listing. The Board anticipates that an annual net saving of at least $2.5m will be generated from this decision alone.

The exceptional one-off costs incurred in the closure of the Head Office included compensation to 7 employees which amounted to $334,240. This is included in the exceptional one-off items in the Q3 accounts.

2. Sportsbet subsidiary - $1,679,186

The Sportsbet division has previously been reported as a profit making business. Whilst this was correct at the gross profit level it was not correct when a full and proper costing analysis was completed. Some costs, including employee costs were carried incorrectly on the Head Office payroll and provision for credit customers was inadequate. The normalised result was that the Sportsbet division was actually incurring a significant operating net loss, and during Q3 a decision was taken to sell the business to the existing management. This sale resulted in an exceptional one-off loss of $1.6m being incurred by the Company. No Sportsbet client incurred a loss during this process and all customer deposits were fully covered by supporting cash balances as of the date of disposal on 13th October 2004.

3. Miscellaneous extra-ordinary items and write-offs - $7,141,692

a. Director and consultant contracts - $629,096

During the quarter the contract of Mr Richard Barker (Group CEO) was terminated at a cost of $246,220. The contract of Mr John Priest (Chairman) was also terminated at a nil cost.

In Antigua, the contracts of Mr Simon Noble, Chief Executive of Tasman and a number of other members of senior management were terminated at a cost of $94,293. Mr Noble was paid three months notice but is currently in dispute with the Company as to the level of his compensation for loss of office. The Company will defend this position.

Also during the quarter several consultant contracts that were entered into by previous management were subsequently terminated. The total cost incurred by these consultancy contracts was $288,583

b. Aborted acquisition fees and capitalized costs - $2,494,094

In the first half of the year, the Company undertook a substantial due diligence exercise in respect of a potential acquisition in the gaming sector. The acquisition was subsequently aborted by previous management due to a variety of reasons. Due diligence costs, substantially payments to professional advisors of $733,604 which were previously capitalized have been charged to the Statement of Financial Performance account in Q3 as exceptional one-off items.

There were also a series of smaller projects which were entered into and the costs of which were capitalised during the course of 2004. The Board has reviewed these projects and determined that there is no realisable future economic benefit to be derived from these projects and has subsequently written off the capitalised costs of $103,059 to the Statement of Financial Performance account in Q3.

In late 2003, previous management began a project with a London based software provider to develop new sportsbetting software to replace that currently being used. The Board has recently reviewed this project and on the advice of external experts has determined that this new software is terminally inoperable and all development and costs have now ceased. The consolidated investment to date on this has been $1,510,904 which was previously capitalized and has now been charged to the Statement of Financial Performance account in Q3 as an exceptional one-off item.

During Q3, previous management entered into an agreement with a company to develop a series of games of skill. This is no longer considered to be a priority for the Company and the contract has been cancelled and an initial payment of $146,527 has been forfeited and subsequently charged to the Q3 Statement of Financial Performance as an exceptional one-off item.

c. Accounting treatment, general provisions and general write-offs - $4,018,502

The Company has reviewed its accounting policies and the application of these adopted by previous management. In some instances incorrect application of policies has been remedied and in other instances more prudent application of policies has been implemented. In addition, a detailed analysis of procedures for identification and recognition of liabilities has resulted in the necessity to provide significant additional amounts.

- Correction of misapplication of previous accounting treatments amounting to $746,011
- Prudent application of accounting policies amounting to $425,113
- Recognition of staff redundancy payments in the Tasman subsidiary during the quarter of $1,447,728
- Under provisions and accruals of $1,399,650

Statement of Financial Position – Cash Position

Shareholders should be aware that the cumulative net loss incurred has, for the most part, not had a cash effect. Negative cash depletion for Q3 was $394,000 ($694,000 including the $300,000 foreign exchange variance) per the Appendix 4C. However management does anticipate that there will be a level of cash outflows arising from the residual impact of the sale of the Sportsbet subsidiary and standard accruals detailed previously. It is however anticipated that a return to consolidated profitability in Q4 will balance out the majority of these cash outflows.

INTRODUCING NEW MANAGEMENT

Colin Walker has joined the Company as Chief Executive Officer and Stuart Doyle has joined as Commercial Director of the Tasman subsidiary. Both of these individuals have extensive and proven expertise in the sports wagering and gaming industry.

Colin Walker has over 10 years executive experience in publicly traded sports wagering and gaming companies. He was a Director at Ladbroke Racing in the UK for seven years and has since spent three years at Sportingbet PLC as Group Marketing & Operations Director, and one year as Chief Executive of Canbet Ltd prior to its acquisition by IASbet Ltd. He is a member of the Chartered Institute of Management Accountants (CIMA) in the UK and has an MBA degree from the Harvard Business School

Stuart Doyle also started his career at Ladbrokes, before moving to Victor Chandler International in Gibraltar. Mr Doyle joined Tasman as Chief Bookmaker on the company's reversal into Betcorp Ltd, then known as Consolidated Gaming Corporation (ASX: CGC). For the 12 months of 2003 whilst Stuart Doyle was Chief Bookmaker of Tasman, he was directly responsible for overseeing the company's most profitable bookmaking year in its ten year history. The Company is pleased that Stuart Doyle has rejoined Tasman and brings his extensive expertise and experience to the Board of the Company.

The Company is aware however that the executive management team will require further strengthening by the appointment of additional professionals with relevant industry experience and expertise. The Company is currently in the process of recruiting an appropriate selection of individuals to cater for these vacancies.

MANAGEMENT STRATEGY & PRIORITIES

The core focus and strategy of the Company's new management is threefold:

1. Gross Margin: Product Offering

It is the intention of the management to broaden the product offering. The Company's revenues are disproportionately dependent on successful trading on seasonal events such as American football in the four month period from September to January. The Company is aiming to broaden its' product base with the development of the horse racing product in the next few weeks and also begin to offer a more extensive service on soccer by the turn of the year.

During Q3, the Company introduced a multiplayer poker product. Our customers now have access to the "Prima Poker" network whereby they can join a virtual hub of online multiplayer poker tables with players introduced by other sportsbooks. Initial results from the multiplayer poker product are positive and in line with expectations. However, the Company does not expect the product to be making a material contribution to overall profits until the second half of 2005.

The Company has also introduced new online casino software, and the financial contribution from the existing online casinos is positive and growing. Management feel that the online casinos represent a particularly valuable upside and concentrated marketing effort will be directed at the casinos during Q4.

A greater breadth in the Company's product offering will both reduce trading volatility and increase the potential for greater profit. The Company operates in a very competitive sector and the extension of its product offering up to and beyond that offered by our competitors can only be positive for the business.

2. Gross Margin: Sportsbook

The Board have reviewed the trading results of the Company and it is very clear that the performance of the prior bookmaking staff during the first eight months of the year was unsatisfactory. This point is further witnessed by the fact that the Company went through 3 different bookmakers in the same period.

With new management now in place, the Company adopts a relatively conservative and structured approach to bookmaking and the amount which any particular client can place on an individual event is strictly controlled. The limits applied are competitive with other books operating in the North American market. Larger bets and all bets from identified knowledgeable clients normally result in the "line" (handicap) moving to manage risk. The exposure (i.e maximum loss) that the Company will take on an individual event is predetermined and when this limit is reached the company will change the prices to attract money on "the other side".

Since new management has taken responsibility for the bookmaking function, a more acceptable 4.25% was achieved from the 4th of September to 30th of September.

Quarter	Period	Turnover US$ '000s	Gross Gaming Revenues US$ '000s	Gross Margin %
Q1	(1 January to 31 March)	193,392	4,568	2.36
Q2	(1 April to 30 June)	180,866	3,473	1.92
Q3	(1 July to 30 September)	172,553	4,617	2.68
	a) (1 July to 3 September)	105,605	1,769	1.68
	b) (4 September to 30 September)	66,948	2,848	4.25
Year to Date Total		546,810	12,658	2.31

Table 2 – Tasman Operating Statistics

3. Cost Control & Financial Management

The third core focus for management is to bring cost control and financial management back into line. Management's focus on cost control and financial management is primarily focused on returning the business to historical levels – and cost levels that are consistent with, and justifiable given the scale of the business.

The Company is cognisant that it is not a large corporate entity that can continue to sustain substantial overheads without an immediate and significant increase in net revenues. Management is therefore focused on returning the cost burden, at both the corporate and operating level, to the scale required to ensure consistent group profitability.

In the eight weeks since new management has taken office, the Sydney office has been closed, the loss-making Sportsbet business has been sold and substantial steps have been taken to reduce costs in the Tasman operating company. At Tasman, the focus is in part on staff costs and headcount, but more significantly on the appropriate level and focus of marketing expenditure.

Outlook for Core Operations

Both September and October's trading result have been both positive and profitable. The Company's online casino and multiplayer poker products are improving and provide grounds for optimism. The Board believe that there are still significant inroads and improvements to make to further reduce the overhead cost burden to levels that will assist efforts to maintain profitability.

While our outlook is currently and appropriately focused on restoring our core business to health, we maintain an interest in acquisition opportunities that arise to acquire profitable sportsbook turnover, and/or increase the relative contribution we earn from casino activities.

Summary & Close

The Company has been through some tough times of late – and has performed badly at both the operational and corporate level.

We now have new management in place – management that comes with proven and specific expertise of the online sports wagering and gaming sector – and some very substantial steps have already been taken to restore the fortunes of the Company and shareholder value. The central focus is on effective and sustainable bookmaking and a proper approach to cost control and management.

The mid to longer term strategic challenges faced by the business are now also being properly reviewed. The two main areas of this substantial strategic review are the overall product offering and the Company's operating jurisdictions.

In terms of the product mix, we are focused on the opportunity to develop an integrated network of customer propositions. In this regard, the strategic review is focused on a range of new activities, joint ventures and acquisitions.

Secondly, we are keenly reviewing the Company's operating jurisdictions, again to ensure the optimal combination between Australia, Antigua and our other operating jurisdictions – including reviewing the Company's listing on the Australian stock exchange.

We look forward to presenting and discussing the Company's strategic options and opportunities with shareholders in the near future.

COLIN WALKER
Chief Executive Officer

NICK TYSHING
Chief Financial Officer & Company Secretary

Rule 4.7B

Appendix 4C

Quarterly report
for entities admitted
on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

BETCORP LTD

ABN	Quarter ended ("current quarter")
69 081 765 531	SEPTEMBER 2004

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (9 months) $A'000
1.1	Receipts from customers	259,037	782,186
1.2	Payments for (a) staff costs	(2,675)	(6,229)
	(b) advertising and marketing	(1,153)	(2,844)
	(c) research and development	-	-
	(d) leased assets	(127)	(352)
	(e) other working capital	(1,621)	(9,857)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	21	185
1.5	Interest and other costs of finance paid	(56)	(525)
1.6	Income taxes paid	591	(1)
1.7	Other (Payments to Players)	(254,036)	(767,328)
	Net operating cash flows	(19)	(4,765)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (9 months) $A'000
1.8	Net operating cash flows (carried forward)	**(19)**	**(4,765)**
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(375)	(1,585)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(375)	(1,585)
1.14	**Total operating and investing cash flows**	(394)	(6,350)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	556
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	(2,285)
1.20	Other - Repayment of Convertible Notes)	-	(975)
	- Share Issue Costs	-	(3)
	Net financing cash flows	-	(2,707)
	Net increase (decrease) in cash held	(394)	(9,057)
1.21	Cash at beginning of quarter/year to date	12,476	20,217
1.22	Exchange rate adjustments to item 1.20	(300)	622
1.23	**Cash at end of quarter**	11,782	11,782

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	401
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors included in 1.24	**Payments A$'000**
Simon Noble (Resigned)	120
John Priest (Resigned)	53
Richard Barker (Resigned)	201
Bill Graham	27
Stuart Doyle	-
Colin Walker	-

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	11,782	12,694
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (Payment Processor Balances)	-	-
	Total: cash at end of quarter (item 1.22)	11,782	12,694

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 29th October 2004
(Company secretary)

Print name: Nick Tyshing

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.