

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

FORM 10-QSB

Quarterly report pursuant to Section 13 or 15 (d) of the Securities
Exchange Act of 1934

For the quarter ended SEPTEMBER 30, 1998

Commission file number 0-8927

NEVADA GOLD & CASINOS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation)

88-0142032

(IRS Employer
Identification Number)

3040 Post Oak Blvd. Suite 675, Houston, Texas 77056

(Address of principal executive offices) (Zip Code)

(713) 621-2245

Registrant's telephone number

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 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
----- -----

As of October 31, 1998 there were 9,445,592 shares of common stock
outstanding.

NEVADA GOLD & CASINOS, INC.
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NEVADA GOLD & CASINOS, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 1998	March 31, 1998
	----- (Unaudited)	----- (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 70,449	\$ 154,367
Other assets	288,630	83,211
	-----	-----
TOTAL CURRENT ASSETS	359,079	237,578
Investment in Isle of Capri Black Hawk	331,223	599,828
Real estate and assets held for development	2,119,611	2,201,809
Note Receivable	497,240	
Mining properties & claims	480,812	480,812
Furniture, fixtures and equipment, net of accumulated depreciation of \$97,499 and \$81,677 on September 30, and March 31, 1998, respectively	108,075	95,672
	-----	-----
TOTAL ASSETS	\$ 3,896,040	\$ 3,615,699
	-----	-----
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 75,375	\$ 56,248
Accrued interest payable	87,969	49,154
Short term notes payable	1,366,667	279,591
Current portion of long term debt	51,182	73,187
	-----	-----
TOTAL CURRENT LIABILITIES	1,581,193	458,180
	-----	-----
LONG TERM DEBT		
Mortgages payable, net of current portion	32,594	111,023
Notes payable, net of current portion	515,804	521,718
	-----	-----
TOTAL LONG TERM DEBT	548,398	632,741
	-----	-----
OTHER LIABILITIES		
Deferred gain	0	591,404
	-----	-----
TOTAL LIABILITIES	2,129,591	1,682,325
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock, \$10 par value, 500,000 shares authorized, 121,490 and 141,490 shares outstanding at September 30, and March 31, 1998, respectively	1,214,900	1,414,900
Common stock, \$.12 par value, 20,000,000 shares authorized, 9,208,573 and 8,822,464 shares outstanding at September 30, and March 31, 1998, respectively	1,105,029	1,058,696
Additional paid in capital	7,665,240	7,095,896
Accumulated deficit prior to development stage (12/27/93)	(2,296,077)	(2,296,077)
Accumulated deficit during development stage	(5,922,643)	(5,340,041)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	1,766,449	1,933,374
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,896,040	\$ 3,615,699
	-----	-----

The accompanying notes are an integral part of these financial statements.

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NEVADA GOLD & CASINOS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30,	
	1998	1997
REVENUES		
Royalty income	\$ 4,000	\$ -
Gain on sale-part interest Isle of Capri Black Hawk	147,851	-
Other income	206,199	540,754
TOTAL REVENUES	358,050	540,754
EXPENSES		
General & administrative	103,750	215,465
Interest expense	79,234	46,290
Salaries	65,319	59,378
Legal & professional fees	113,017	79,032
Other	15,114	10,392
TOTAL EXPENSES	376,434	410,557
EQUITY IN EARNINGS (LOSS) OF ISLE OF CAPRI- BLACK HAWK	56,148	-
NET INCOME (LOSS)	\$ 37,764	\$130,197
PER SHARE INFORMATION		
Net Income (Loss)	\$ 37,764	\$ 130,197
Preferred stock dividends accumulated	(36,347)	(26,956)
Income (Loss) available to common stockholders	\$ 1,417	\$ 103,961
Weighted average number of common Shares outstanding	9,076,387	8,453,689
Net income per common share	\$ (.00)	\$.01

The accompanying notes are an integral part of these financial statements.

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NEVADA GOLD & CASINOS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

Six Months Ended September 30,		Cumulative Amounts During Development Stage (Since 12/27/93)
1998	1997	

REVENUES			
Royalty income	\$ 4,000	\$ 15,000	\$ 223,000
Gain on sale-part interest Isle of Capri Black Hawk	147,851	-	282,967
Other income	207,008	541,119	706,273
TOTAL REVENUES	358,859	556,119	1,212,240
EXPENSES			
General & administrative	205,344	320,877	1,903,652
Interest expense	99,895	112,228	804,487
Salaries	131,402	111,219	660,597
Legal & professional fees	148,922	120,110	2,060,939
Other	30,845	20,463	408,653
	616,409		
TOTAL EXPENSES		684,896	5,838,328
EQUITY IN EARNINGS (loss) OF ISLE OF CAPRI- BLACK HAWK	(325,052)	-	(1,296,556)
NET INCOME (Loss)	\$ (582,601)	(128,777) \$	(5,922,643)
PER SHARE INFORMATION			
Net Income (Loss)	\$ (582,601)	(128,777) \$	(5,922,643)
Preferred stock dividends accumulated	78,678	53,912	(224,725)
Income (Loss) available to common stockholders	\$ (661,279)	(182,689) \$	(6,148,785)
Weighted average number of common Shares outstanding	9,076,387	8,404,638	7,046,585
Net income per common share	\$ (.07)	(.02)	\$ (.87)

The accompanying notes are an integral part of these financial statements.

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NEVADA GOLD & CASINOS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended September 30,		Cumulative Amounts During Development Stage (Since 12/27/93)
	1998	1997	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (582,601)	\$ (128,777)	\$ (5,922,642)
Adjustments to reconcile net loss to net cash Provided (used) by operating activities:			
Depreciation	15,822	13,306	88,693
Equity in net loss of Isle of Capri Black Hawk	268,605	-	1,240,109
Consultant and investment banker option expense	27,444	-	790,513
Gain on sale-part interest Isle of Capri Black Hawk	(147,851)	-	(282,967)
Other	-	-	231
Changes in operating assets and liabilities:			
Other	(655,536)	(700)	(451,995)
Accounts payable and accrued liabilities	69,185	(31,902)	1,247,850
NET CASH USED IN OPERATING ACTIVITIES	(1,004,932)	(148,073)	(3,290,208)
CASH FLOWS FROM INVESTING ACTIVITIES:			

Real estate and assets held for development	(497,104)	(45,532)	(1,854,829)
Purchase of furniture, fixtures and equipment	(3,227)	(6,827)	(51,886)
Proceeds from sale of part interest of Isle of Capri Black Hawk	-	-	833,334
Proceeds on disposition of property	-	168,249	8,866
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(500,331)	115,890	(1,064,515)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt	1,416,667	773,795	6,182,325
Common stock issued for cash, net of offering costs	412,628	135,000	1,789,583
Fractional shares redeemed	-	-	(36)
Payments on debt	(407,950)	(906,326)	(3,849,487)
Salaries contributed by officers	-	-	1,000
Prepaid stock subscription	-	-	295,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,421,345	2,469	4,418,885
Net increase (decrease) in cash	(83,918)	(29,714)	64,162
Beginning cash balance	154,367	78,245	6,287
Ending cash balance	\$ 70,449	\$ 48,531	\$ 70,449
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	\$ 59,525	\$ 88,231	\$ 473,025
Cash paid for taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

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NEVADA GOLD & CASINOS, INC.
SEPTEMBER 30, 1998
NOTES TO INTERIM FINANCIAL STATEMENTS

ITEM 1.

BUSINESS

Nevada Gold & Casinos, Inc. ("Nevada Gold" or the "Company") was formed in 1977 under the name Pacific Gold & Uranium Corporation for the principal purpose of operating and managing mining activities, primarily in the western United States. On December 27, 1993, control of the Company changed and the Company's primary focus was redirected toward the development of gaming and real estate properties in Colorado. The Company is considered to be in the development stage since December 27, 1993. In January 1994, the Company changed its name from Pacific Gold Corporation to Nevada Gold & Casinos, Inc.

In April 1997, the Company and Isle of Capri Casinos, Inc. ("Isle of Capri Casinos"), formerly Casino America, Inc. ("Casino America") through wholly owned subsidiaries, BlackHawk Gold Ltd. ("BlackHawk Gold") and Casino Colorado of Colorado, Inc. ("Casino Colorado"), respectively, formed a limited liability company, the Isle of Capri Black Hawk. The limited liability company's purpose is the construction and operation of the Isle of Capri Black Hawk Casino (the "Casino") on the Black Hawk Property. Casino America will operate the Casino under a management agreement for a fee based upon a percentage of revenues.

The Company also owns approximately 150 acres of real property in the vicinity of Black Hawk, Colorado, and completed additional acquisitions in July 1998. The Company intends to develop a commercial and residential real estate project on the property.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared by the Company without audit and, in the opinion of management, reflect all adjustments of a

normal recurring nature necessary for a fair statement of (a) the results of operations for the three months ended September 30, 1998 and 1997, (b) the results of operations for the six months ended September 30, 1998 and 1997, (c) the financial position as of September 30, 1998, and (d) the cash flows for the six month period ended September 30, 1998 and 1997. Interim results are not necessarily indicative of results for a full year.

The consolidated balance sheet presented as of September 30, 1998 has been derived from the consolidated financial statements that have been audited by the Company's independent public accountants. The consolidated financial statements and notes are condensed as permitted by Form 10-QSB and do not contain certain information included in the annual financial statements and notes of the Company. The consolidated financial statements and notes included herein should be read in conjunction with the financial statements and notes included in the Company's Annual Report on Form 10-K.

3. ISLE OF CAPRI BLACK HAWK

On April 25, 1997, the Isle of Capri Black Hawk, a Colorado limited liability company, was formed. The Isle of Capri Black Hawk is owned by Casino Colorado, a wholly owned subsidiary of Isle of Capri Casinos and Black Hawk Gold, a wholly owned subsidiary of Nevada Gold. The Isle of Capri Black Hawk is a development stage company and has not commenced gaming operations. The principal

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NEVADA GOLD & CASINOS, INC.
SEPTEMBER 30, 1998
NOTES TO INTERIM FINANCIAL STATEMENTS

purpose of the Isle of Capri Black Hawk is to develop and operate a casino entertainment complex in Black Hawk, Colorado, which is anticipated to open in December 1998 or January 1999. The Company's capital contribution to the limited liability company was 4 lots within the City of Black Hawk

that are zoned for gaming and adjacent land totaling approximately 6.5 acres, all with a value of \$7.9 million. The real estate was subject to notes payable and accrued interest of approximately \$400,000 that was paid by the Isle of Capri Black Hawk. The Company's initial interest in the Isle of Capri Black Hawk was 45%.

On August 20, 1997, the Isle of Capri Black Hawk and Isle of Capri Capital Corp., a wholly owned subsidiary of the Isle of Capri Black Hawk, that had no operations, assets or liabilities, issued \$75,000,000 of 13% First Mortgage Notes due 2004, with contingent interest, in order to finance the construction and development of the Casino.

The rights and obligations of Casino Colorado and BlackHawk Gold are governed in part by the Amended and Restated Operating Agreement of the Isle of Capri Black Hawk (the "Agreement") dated as of July 1997. The Agreement provides that the Isle of Capri Black Hawk will continue until December 31, 2096, or until such date that dissolution may occur. Pursuant to the Agreement, Casino Colorado contributed cash, land purchase rights and development costs to the Isle of Capri Black Hawk and BlackHawk Gold contributed cash and land to the Isle of Capri Black Hawk.

On July 29, 1997, Casino Colorado, Casino America, BlackHawk Gold and Nevada Gold also entered into a Members Agreement (the "Members Agreement") which addressed the development of the Casino, management of the Isle of Capri Black Hawk, additional capital contributions, and other matters. On August 20, 1997, pursuant to the Members Agreement, Casino Colorado purchased from BlackHawk Gold a 4.2% ownership interest (the "Transferred Interest") in the Isle of Capri Black Hawk for \$700,000 and BlackHawk Gold had 180 days within which to reacquire all or a portion of the Transferred Interest for \$700,000 together with interest. In addition, pursuant to the Members Agreement, BlackHawk Gold had the right to sell up to an additional 4.8% ownership interest in the Isle of Capri Black Hawk to Casino Colorado (the "Put"), for up to \$800,000, and to repurchase, within 180 days, any ownership interest sold pursuant to the Put, with the repurchase price being the price for which such ownership interest was sold, together with interest. Pursuant

to the Put, Casino America purchased from BlackHawk Gold (i) an additional .8% interest on November 13, 1997 for \$133,333 and (ii) an additional 4.0% ownership interest on February 16, 1998 for \$666,667, exhausting BlackHawk Gold's right to sell any additional interest under the terms of the Put. BlackHawk Gold subsequently repurchased from Casino America Colorado a 4.0% ownership interest out of the Transferred Interest for \$715,000, which includes interest. As a result, BlackHawk Gold then restored its ownership interest in the Isle of Capri Black Hawk to 40%. BlackHawk Gold was successful in repurchasing a 3.0% interest in August, 1998, and BlackHawk Gold's ownership was increased to 43%. Profits and losses of the Isle of Capri Black Hawk are allocated in proportion to ownership interests.

As of March 31, 1998, BlackHawk Gold had the right to repurchase the .8% ownership interest and the 4.0% ownership interest purchased by Casino Colorado on November 13, 1997 and February 16, 1998, respectively, under the 180 day repurchase provision of the Put. The 180-day period for repurchase of the .8% ownership interest expired on May 12, 1997 and the gain resulting from the sale has been recognized in the Company's March 31, 1998 financial statements. The 180-day repurchase period on the ownership interest sold to Casino Colorado on February 16, 1998 expired on August 15,

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NEVADA GOLD & CASINOS, INC.
 SEPTEMBER 30, 1998
 NOTES TO INTERIM FINANCIAL STATEMENTS

1998 and the \$591,404 gain relating to the sale has been deferred in the Company's March 31, 1998 financial statements.

The Company's ownership in the Isle of Capri Black Hawk is being accounted for using the equity method of accounting. The Company's investment in the Isle of Capri Black Hawk is stated at cost, adjusted for its equity in the undistributed earnings or losses of the project. The following is a summary of condensed financial information pertaining to the Isle of Capri Black Hawk as of September 30, 1998:

	(in thousands) -----
Current assets	\$ 934
Property and Equipment	65,385
Other assets	30,149

	\$ 96,468

Current liabilities	\$ 8,436
Long-term debt	76,218
Stockholders' Equity	11,814

	\$ 96,468

Interest income	\$ 686
Interest expense	(1,845)

Net loss	\$ (1,159)

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The following discussions of the Company's results of operations and financial position should be read in conjunction with the financial statements and notes pertaining thereto, appearing elsewhere in this Form 10-QSB. Management is of the opinion that inflation and changing prices will have little, if any, effect on the Company's financial position or results of operations.

GENERAL

Revenues from the Company have not been sufficient to cover the Company's operating expenses during the past year. In addition, there have been no revenues from the Company's gaming operations to date since these are currently in the development stage. Management does not expect revenues from operations until after the opening of the Isle of Capri Black Hawk Casino, anticipated to open in late December 1998 or January 1999.

The Company's significant source of revenue will likely be from its membership interest in the Isle of Capri Black Hawk. To date, no distributions have been declared. Although it is anticipated that the casino will commence operations in the next calendar year, there can be no assurances that this will occur. In the event operations do commence, there can be no assurance that the Isle of Capri Black Hawk will be profitable. Other numerous contingencies, out of the control of the Company, may affect distributions by the Isle of Capri Black Hawk, and there can be no assurance that the Company will receive distributions or that they will be of an amount substantial enough to fund the Company's operations.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 1997

Revenues decreased \$182,700 for the three months ended September 30, 1998 compared to the same period in the prior year. The prior year included \$543,418 gain recorded on the sale of the Isle of Capri Black Hawk. The current quarter includes a \$197,304 gain recorded on the BLM exchange.

General and administrative expenses decreased \$111,715 for the three months ended September 30, 1998 compared to the same period in the prior year. The decrease is attributable to a decrease in commissions and land maintenance fees.

Interest expense increased \$33,000 for the three months ended September 30, 1998 as compared to the same period last year. The current year includes interest paid on the repurchase of the 3% interest in Isle of Capri Black Hawk under the Put.

Legal and professional fees increased \$34,000. The increase is attributed to the amortization of the cost of 100,000 shares of common stock issued for consulting services in December 1997 for services extending over a 36 month period.

Other expenses increased \$5,000, resulting from increases in insurance, printing and postage.

LIQUIDITY

The Company's internally generated cash flows from operations have historically been and continue to be insufficient for its cash needs. The Company has historically relied upon equity and debt

financing to fund operations. The Company's current cash forecasts indicate that there will be negative cash flows from operations for the balance of the current fiscal year. It is likely that the Company will be required to seek debt or equity financing or sell assets in order to bring its cash flow into balance; however, there are currently no specific plans or commitments with respect thereto. Management's strategy is to raise additional funds through the sale of Company debt and equity securities, including those held by affiliates of the Company. In the event that such actions are required, there can be no assurance that the Company will be successful in any such

efforts.

The short term viability of the Company is dependent upon the Company's ability to raise sufficient capital to meet its cash requirements. In addition, the Company and its venture partner, Casino America, are in the process of developing a casino as described above; however, there is no assurance that the development of a successful casino will be completed. The ownership and operation of gaming facilities are subject to extensive state and local regulations. There is no assurance that the Company or its partner will be able to comply or conduct business in accordance with applicable regulations. The long term viability of the Company is dependent upon successful completion and operation of a casino hotel complex. The factors described above raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. If the Company is unable to continue as a going concern, the values realized from the Company's assets may be less than the carrying amounts reported in its financial statements.

IMPACT OF YEAR 2000

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send payments on invoices, or engage in similar normal business activities.

The Company intends to initiate formal communications with its business venture associates and affiliates to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 issues. There can be no guarantee that the systems of other companies on which the Company's own systems may rely will be timely converted and would not have an adverse effect on the Company's systems. The Company believes that the Year 2000 issue will not pose significant operational problems for its computer systems.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES.

The following stock issuances occurred between April 1 and September 30, 1998. Each issuance was exempt from registration pursuant to Section 4(2) and/or Regulation D promulgated under the Act as a transaction by an issuer not involving any public offering. No underwriter was utilized in the offering and no commissions were paid.

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The Company issued 312,192 shares of Common Stock to 14 investors for an aggregate purchase price of approximately \$601,928.

The Company issued 6,667 shares of Common Stock to an employee in lieu of compensation.

The Company issued 10,000 shares of stock to one individual as part of an asset exchange valued at \$25,000.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable

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

Not applicable

ITEM 5. OTHER INFORMATION.

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(A) INDEX TO EXHIBITS

- *3.1 - Articles of Incorporation
- *3.2 - Amendment to Articles of Incorporation
- *3.3 - By-laws
- *4.1 - Deed of Trust
- *4.2 - Master Secured Note
- *4.3 - Note Participation Agreement
- *10.1 - Operating Agreement Caesars Black Hawk, LLC
- *10.2 - Operating Agreement of ICB LLC
- *10.3 - Amended and Restated Operating Agreement of
Isle of Capri-Black Hawk, LLC
- *10.4 - Members Agreement
- *10.5 - License Agreement
- 27 - Financial Data Schedule

*Exhibits were previously filed and are incorporated by reference.

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SIGNATURES

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

NEVADA GOLD & CASINOS, INC.

By: /s/ H. Thomas Winn

President and Chief Financial Officer

Date: November 13, 1998

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