



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the period ended March 31, 2010**

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### **Date and Subject of this Report**

This Report, made as of May 20<sup>th</sup>, 2010, is integral to and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2009 and December 31, 2008, as well as the Consolidated Financial Statements for the three months ended March 31, 2010. The foregoing documents and additional information relating to the Company are available for viewing at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

Pacific Lottery Corporation (the "Company" or the "Corporation" or "Pacific Lottery") is incorporated under the laws of the Province of Alberta. The Company, through recent years and ceasing on October 2, 2008 with the launch of its proprietary technology (see below), was a development stage enterprise, and its principal business activities are respecting the research, development, manufacture, operation, management and provision of online lottery technology and programs.

As reflected in prior years consolidated financial statements, the Company received incidental revenues, prior to October 2, 2008, from its business activity of supplying technology for the operation of a lottery in Ha Noi City, Vietnam (the "Ha Noi Lottery"); the agreement for which expired in 2006 (the "Expired Ha Noi Agreement"). Subsequent to the expiry date of the Expired Ha Noi Agreement, the Company negotiated extensions thereof on the same terms.

Commencing October 2, 2008, the Company launched in Vietnam under its new contract and proprietary online lottery technology. From this commercial launch, the Company began generating revenue from its initial introduction of terminals, post October 2, 2008. (See - [New Vietnamese Contract September 12, 2007](#), and [October 2, 2008 Commercial Launch of next generation online lottery technology](#).)



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### **CORPORATE UPDATE EXCERPTS** (reverse chronology)

#### **i) Pacific Lottery Corporation: Fourth (4<sup>th</sup>) Quarter Update**

The Corporation provided the following corporate update. The Corporation was pleased to advise that 4<sup>th</sup> quarter revenue results showed a fifth consecutive quarter of continued strong growth. Results show the lottery turnover grew to (USD adjusted) \$ 868, 855 an additional 15% increase over the previous 3<sup>rd</sup> Quarter's impressive 26% growth results. The complete 2009 results reveal a growth of over 125% in lottery turnover from the prior year ending December 31<sup>st</sup>. Furthermore, this increasing revenue profile has continued forward into fiscal 2010 with increased average daily sales of over 7% for the first 2 months of the year when compared to 4<sup>th</sup> quarter 2009 lottery turnover. Also, the Corporation further advises that it has successfully continued its program to lower its cost profile in these difficult economic times and reports that it has made significant progress in narrowing its monthly operating losses while simultaneously expanding its revenues throughout 2009 and 2010 to date. The Corporation expects this ongoing application of sound fiscal principles in conjunction with continued revenue growth to generate net positive cash flows in 2010.

In other developments, the Corporation advises that the implementation process for the launching of the new mobile phone lottery services in Vietnam has unfortunately been slower than anticipated due to unavoidable circumstances. The Corporation continues to work diligently towards common resolutions of these issues and remains confident it will be able to announce the launch of this groundbreaking service very shortly. The Corporation remains excited about the enormous potential of mobile phone distribution services, recently granted approval by the authorities, and looks forward to the many benefits that will accrue to all the stake holders once fully implemented.

#### **ii) Pacific Lottery Corporation: Third (3<sup>rd</sup>) Quarter Update**



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The Corporation advised that 3<sup>rd</sup> quarter revenue results indicate a fourth consecutive quarter of strong growth following last years, October 2008 launch. Preliminary results show that 3<sup>rd</sup> Quarter lottery turnover grew to (USD adjusted) \$ 757,000, a 26 % increase over the previous 2<sup>nd</sup> Quarter's impressive 30% growth results. As well, the Corporation is pleased to advise that early 4<sup>th</sup> Quarter lottery turnover results indicate continued

### **ii) Pacific Lottery Corporation: Third (3<sup>rd</sup>) Quarter Update (Continued)**

sustained expansion with an additional 16% month over month increase for the month just ended in October 2009.

The Corporation's ongoing belt tightening objective in these turbulent times has also progressed and is therefore pleased to advise that the trend of significantly narrowing its monthly operating losses has continued. A 3<sup>rd</sup> Quarter 2009 G & A costs savings analysis estimates that the Corporation realized in excess of a 35% cost reduction over the 2008 average quarterly G & A costs. Further, the Corporation believes that the launch of the recently approved mobile phone lottery services in Vietnam in the very near future, which is expected to greatly expand lottery ticket distribution in conjunction with increased public awareness derived from the new daily, live TV draw show, should quickly lead to the replacement of monthly operating deficits with quarterly operational profits within the early part of 2010.

In other developments, the Corporation was pleased to announce it has agreed to a strategic alliance with bet365, one of the worlds largest Sports betting companies with gross annual amounts wagered of over US\$ 5.1 billion. bet365 is licensed and regulated in the United Kingdom and according to the Sunday Times is the UK's 7<sup>th</sup> largest private corporation. They service over 3 million customers, in 17 languages, in 200 countries worldwide. The Corporation and bet365 look forward to working cooperatively together on new, exciting and mutually beneficial opportunities.



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### **iii) Pacific Lottery received full Vietnamese government approval for its Mobile Phone Lottery Technology**

The Corporation ("PLC") was pleased to announce that the Government of Vietnam had issued all final approvals required for the introduction of mobile phone purchasing of authorised lottery games, exclusively using the Corporation's proprietary Mobile Phone Lottery Technology Platform ("MobiLot"). The receipt of the Ministry of Finance's approval was the last regulatory hurdle and clears the way for the immediate commercial use of the Corporation's new MobiLot technology by the state run on-line Lottery program in Vietnam.

This new mobile phone application developed and solely controlled by the Corporation, will allow the Vietnamese general public direct access to purchasing lottery products from the state run on-line lottery program via the convenience of their individual mobile phones. The approval of mobile phone purchases of lottery products is a Vietnamese first and also heralds a major global shift in the current delivery methods used by national lotteries. No longer will Vietnamese players be limited to purchasing their lottery

### **iii) Pacific Lottery received full Vietnamese government approval for its Mobile Phone Lottery Technology (Continued)**

products only from land based retailers using traditional lottery terminal distribution channels. This exclusive approval for the Corporation is a result of the government's appreciation and acceptance of PLC's proven concept in connection with its previously launched retailer based on-line lottery program in October 2008.

PLC has now begun the implementation and integration process with all Vietnamese state owned mobile phone carriers for this new, exciting and cutting edge service. Recent estimates suggest that the country has up to 40 million registered mobile phones users and most estimates expect this market to grow to 55 million by next year. This high mobile phone adoption rate supports the Corporation's expectation that this new mobile phone distribution channel will result in significant expansion of the lottery player's accessibility to the state run on-line lottery program, thereby exponentially increasing its sales power and accompanying lottery sales performance.



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This major milestone development within the global lottery industry helps thrust PLC to the forefront of the next generation of technological advances. As mobile phone business applications become more generally accepted and widely used, the Corporation believes this historic application for general public purchasing of lottery products directly via their mobile devices, will reverberate throughout the global lottery industry.

PLC has agreed to supply its MobiLot technology to the Vietnamese lottery authority under the same terms and conditions of its existing and exclusive ten (10) year on-line lottery technology supply and services Agreement, which runs until 2018. The Corporation will receive gross compensation of 8 % on all lottery sales processed through this new mobile phone application. The current Agreement also covers all necessary operational details required for the seamless integration and installation of PLC's MobiLot technology within its existing proprietary Optimal Lottery Integration System ("OLIS"), which exclusively powers the Vietnamese On-line lottery program.

Recently, the Corporation was advised by one of the leading Vietnamese mobile phone carriers that its largest value added service, worth approximately 200,000 US-Dollars per day in revenues, is generated by customers paying a small service fee for the automatic downloading to their mobile devices of the daily results of the Hanoi Lottery draw.

With the foregoing in mind and in conjunction with the daily live, prime time broadcasting of the lottery draws on Hanoi TV, one of the top rated TV stations watched nationally, throughout Vietnam, both the Corporation and the Government lottery authorities expect the use of direct mobile phone lottery purchasing to significantly

**iii) Pacific Lottery received full Vietnamese government approval for its  
Mobile Phone Lottery Technology (Continued)**

increase the online lottery's market share by providing Vietnamese lottery players with greater ease of access and convenience for their everyday lottery purchases.

**iv) Operational Update from July 9, 2009**

The Corporation announced a Strategic Cooperation Agreement has been signed with Bob Mobile AG of Germany to jointly exploit industry standard and lottery related



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mobile phone application opportunities. Bob Mobile AG is a global leader in mobile phone application technologies and offers many diverse products for its expanding base of mobile phone customers. The Corporation is excited to be working with Bob Mobile AG in its specific area of expertise and being able to access Bob Mobile's technology and proficiency to provide comprehensive one stop service to its current customer base in Vietnam as well as future targeted customers world wide.

Additionally, the Corporation completed a successful installation of the new Pick 2 and Pair Games. These proprietary games become the 6<sup>th</sup> and 7<sup>th</sup> games successfully installed and introduced since the October 2008's launch of the Corporation's new online lottery technology. As expected, the Vietnamese State owned Lottery Corporation began selling these new proprietary online lottery games this month through its monopolistic retail network that exclusively uses comprehensive on-line lottery technology supplied by the Corporation under previously announced contract terms. These new games were jointly developed by the Corporation and the Vietnamese Lottery authorities. They are designed to specifically combat the So De (the illegal lottery), which officials estimate generates up to \$ 2 billion US annually in illegal lottery activity. This is the first time in Vietnam that games similar to the So De are legally allowed to be offered for sale to the general Vietnamese public. The Corporation is pleased to continue assisting the Government of Vietnam in its ongoing efforts to combat illegal lottery activities.

**v) May 19, 2009 Government approval for nationwide television show**

Pacific Lottery Corporation was notified that the Government of Vietnam had approved the exclusive national broadcasting of the Hanoi Lottery Draw on state run television in a dedicated 30 minute television ("TV") show format airing during prime time hours. This nightly, live, half hour television show devoted solely to the broadcasting of the daily lottery draws and results is a Vietnamese first.

The Corporation further advises that it has its own marketing personnel exclusively assisting in the development and ongoing production of this new prime time TV Lottery show.

**vi) April 23, 2009 Initial regulatory approval for Mobile Phone Technology received**

Pacific Lottery Corporation was pleased to announce that its proprietary Mobile Phone Lottery Technology Platform ("MobiLot") has recently received initial government approval for use by the Vietnamese State owned and operated on-line Lottery program.



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This initial regulatory approval, provided by the Vietnamese Authorities is a requirement prior to the issuance of final regulatory approval. Once approved, the Corporation will move expeditiously to implement and offer this new highly anticipated service to the general Vietnamese lottery playing public. Vietnamese mobile phone companies have confirmed at initial work groups to the Corporation that this new service can be launched within 100 days following receipt of final approval. This new mobile phone lottery distribution service is expected to rapidly enhance on-line lottery sales penetration. The Corporation anticipates that the expansion of its delivery capability through the use of its exclusive MobiLot technology will significantly increase growth of Lottery ticket sales in Vietnam for 2009.

The Corporation successfully proved its technology concept with its recently launched pilot project retailer based on-line lottery program in October 2008. This phase one, two hundred (200) terminal program was successfully deployed with continuing double digit percentage growth. Focus is now primarily on preparations for anticipated exponential expansion via additional lottery ticket distribution methodology, including direct system mobile phone access.

Recent estimates suggest that Vietnam with a population of almost 90 million people has approximately 40 million registered mobile phones users, with most estimates expecting this market to grow to 55 million by 2010. The Corporation was recently advised by State officials that the Vietnamese mobile phone industry's current largest value added service, generating revenues in excess of \$ 6 million US per month, is a service which provides daily lottery results via mobile phones. Building upon this existing level of lottery interest, the Corporation believes that once direct mobile phone purchasing is implemented, the general availability of this service will provide Vietnamese lottery players with greater ease of access and convenience for the purchase of their everyday lottery needs while the Corporation receives significant revenue streams from its exclusive government contract. The national lottery market in Vietnam has annual revenues of over 1.3 Billion US-Dollars. The unauthorised So De market has been estimated to have a turnover of approximately 3.5 Billion US-Dollar, thereby establishing the total Vietnamese lottery market potential at almost \$ 5.0 Billion US-Dollars per year.



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**vii) April 22, 2009 Fully listed trading begins on the Deutsche Börse (Frankfurt Stock Exchange)**

The Corporation is pleased to announce that trading of its shares has been approved for continuous trading on XETRA as of Tuesday, April 14<sup>th</sup> 2009. Further, the Corporation's application for trading of its shares on the Entry Standard segment within the Open Market of the Deutsche Börse (Frankfurt Stock Exchange) has also been approved and trading commenced as of Monday, April 20<sup>th</sup> 2009.

The Corporation expects this full listing of its securities in the German market will assist in providing additional liquidity for shareholders. As well, the Corporation further believes, that in conjunction with its ongoing successful operational activities in Vietnam that this is an important step forward in its goal of unlocking shareholder value.

Additional information about Entry Standard is available on the website of Deutsche Börse AG.

**viii) April 17, 2009 Private Placement with companies related to Mr. Richard W. DeVries**

The Corporation is pleased to announce that as a part of its new rapid expansion program, it has completed a non brokered financing of CDN \$ 1.98 million. Existing shareholder and Board member Mr. Richard W. DeVries agreed to subscribe to a Private Placement (through his company Oceanic Greystone Securities Inc.) that included a placement of 8.6 million units at \$0.11 each, consisting of one (1) common share and one (1) common purchase warrant exercisable at \$0.12 until April 3, 2014 for total gross proceeds of \$ 1.98 million CDN. Further, as part of this rapid expansion program, the Corporation is pleased to advise that it is in advanced discussions with a highly reputable Global Private Equity group working towards completion of an additional \$5 million CDN financing facility with combination debt / loans and equity components. This new facility is expected to allow the Corporation even faster expansion progress and quicker reaction to growth related activities in Vietnam as well as in other potential markets for example in neighboring Laos and Cambodia. The proceeds of these financings will be used for general working capital purposes.



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**ix) April 7, 2009 Delegation visit to Vietnam**

In March of this year the Corporation completed a very successful site visit to Vietnam, which included; major shareholder Genting International PLC, several current European shareholders and investors as well as past and present members of the Board of Directors. The delegation met with senior government officials and toured lottery related

**ix) April 7, 2009 Delegation visit to Vietnam (Continued)**

government facilities, corporate offices and newly installed retailer sites. The delegation expressed genuine excitement at witnessing the Corporation's newly installed proprietary on-line lottery technology in operation and hearing the positive reaction from the various front line officials and retailers. The Corporation is committed to continuing to build upon its initial stage one technical installation and implementation success.

**x) October 2, 2008 Commercial Launch of next generation online lottery technology**

On October 2, 2008, the Company was pleased to announce the successful commercial launch in Vietnam of a new Government owned and operated lottery program exclusively using the Company's next generation on-line lottery technology. These launch activities included the sale of several newly designed on-line lottery games in association with marketing programs including nationally televised TV commercials. Lottery sale transactions occurred flawlessly throughout the newly installed State authorised retailer network using the Company's proprietary National On-line Lottery Central System ("the Lottery System") incorporating innovative PLC Gold lottery terminals ("the Terminals"), central system software and game technology. That launch established the only government sanctioned on-line lottery retailer network in Vietnam. During the initial phase, the new on-line lottery retail network has been using two hundred (200) State authorised lottery retailers. The launch is in furtherance of the Corporation's previously announced exclusive ten (10) year on-line lottery technology supply and services contract.

As part of this new lottery program, several exciting on-line lottery games have been introduced including, for the first time ever, an on-line version of Vietnam's traditional and popular 5 digit daily lotto game. As well, the new lottery program offers an exciting specially customised daily lotto game, the Thanh Thai 4. These customised lottery games are being offered to the local Vietnamese population in conjunction with other global



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industry standard daily Lotto and bi-weekly Lotto 6/36 games. The Company is gratified by the Government of Vietnam's confidence in its technology as demonstrated by the Government's exclusive support of these newly customised on-line games that includes various betting options, which mirror for the first time in Vietnam, long played, well known and deeply ingrained traditional pre-printed and manual Lotto activities. All these new exciting gaming formats were designed by the Company in close partnership with Vietnamese Lottery officials specifically for use in the Vietnamese market and are expected to be widely accepted by lottery players in Vietnam.

The Corporation will continue expanding this newly established on-line lottery retailer network, operating Vietnam's only authorised on-line lottery program, on the pre-agreed

- x) **October 2, 2008 Commercial Launch of next generation online lottery technology** (Continued)

and mutually established schedule until such time that market saturation has been attained.

- xi) **New Vietnamese Contract September 12, 2007**

Vietnamese Lottery Program - Pacific Lottery Corporation announced that its wholly owned international subsidiary, Emerging Market Solutions International Inc., as of September 12, 2007, had entered into a new 10 year exclusive and comprehensive technology supply and services contract ("the Contract" and the "New Ha Noi Agreement") with the Vietnamese Government designated On-Line Lottery Agency, the Ha Noi Capital Construction Lottery Company Ltd. ("HCCLC").

This then new exclusive Contract affirmed Pacific Lottery Corporation's status as the sole and only supplier of On-line Lottery and gaming related technology, equipment and services to the Government of Vietnam's state owned and controlled lottery operator. Most importantly, all appropriate Vietnamese regulatory authorities approved the execution of the Contract.

In consideration for providing its proprietary technology and associated services to HCCLC, the Corporation will receive 8 % of the Gross sales revenues processed by the lottery system during the entire 10 year term of the Contract, which term commences on the launch of the new National On-line Lottery. Significantly, under the terms of the



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Contract, the Corporation will also be responsible for managing and directing all marketing related activities of the On-Line lottery program throughout the duration of the contract term.

This Contract marked another major step forward in the Corporation's development and provided it with a strong foundation on which to continue building by utilizing the Vietnamese Lottery Agency's extensive base of knowledge, expertise and experience.

### Overall Performance

Although the Company continues development of its 'in-house' lottery software and systems in order to enhance provision of the equipment and services to a lawfully constituted and regulated online lottery operations, the Company succeeded in a significant milestone with the first launch of the Company's proprietary technology for full commercial use within its Vietnam lottery program. This first step, seeing the installation of 200 terminals, has proved successful with smooth technical operation and impressive per terminal income growth, month over month, from the first month of

### Overall Performance (Continued)

introduction. The current financial position still requires an additional stage of financing necessary for the Company to fully implement its MobiLot technology and to stay within target ranges for overhead and development costs inline to meet the system implementation and expansion goals for lottery operations anticipated in 2010.

### Selected Annual Information

Period Ended	2009 Dec. 31	2008 Dec. 31	2007 Dec. 31
Total Revenue	\$ 213,543	\$ 84,899	\$ 77,552
Net Income (loss)	\$ (2,250,358)	\$ (3,581,978)	\$ (2,486,632)
Basic loss per share	\$ (0.03)	\$ (0.04)	\$ (0.03)
Diluted loss per share	\$ (0.03)	\$ (0.04)	\$ (0.03)
Total Assets	\$ 1,463,286	\$ 2,430,798	\$ 5,686,022
Total Long-term Financial Liabilities	\$ -	\$ -	\$ -
Cash Dividends	\$ -	\$ -	\$ -



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<b>Weighted Average Shares Outstanding</b>	89,717,555	83,871,856	80,393,714
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The Company has utilized its resources during the past year for the required final stages of the establishment of the Vietnamese Lottery Program and support of the post launch period. In furtherance thereof, the Company completed equity financings in 2008 and again in 2009, which provided the funds required to purchase terminals (the "Terminals") for the lottery, supporting equipment necessary to implement the Vietnamese Lottery Program in 2009 and post launch support and expansion activity through 2010. The Company continues to seek the necessary financing to initiate expansion activities related to mobile phone implementation and to execute a substantial marketing campaign for the launch of this significant retail channel of the Vietnamese Lottery Program.

### Results of Operations

The current net loss of \$150,552 for the three months ended March 31, 2010 is consistent with expectations for the early stage of the Company's current business cycle. The Company continued in its implementation stage through 2009 following the launch of the Vietnamese Lottery Program on October 2, 2008. Following the launch and into the first half of 2009 there continued to be a variety of one time or short term expenses related to the launch which elevated general and administrative costs. However, the Company began efforts to reduce G&A costs, of

### Results of Operations (Continued)

which, notable reductions were made in the second half of the year and further are anticipated subsequent to this as reflected in this 1<sup>st</sup> Quarter of 2010.

In accordance with the Corporation's schedule for implementation of the Vietnamese Lottery Program, including the initial phase launched October 2, 2008 and the subsequent implementation phases, the Company has further updated marketing research, continued updating operational support materials for Vietnamese government operators and continued focused efforts in preparing its MobiLot technology (mobile phone lottery solution) for market introduction.

### Summary of Quarterly Results

	2010	2009	2009	2009	2009	2008	2008	2008
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Period Ended	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
	Qtr 1	Qtr 4	Qtr 3	Qtr 2	Qtr 1	Qtr 4	Qtr 3	Qtr 2
<b>Total Revenue</b>	\$ 68,260	\$ 76,460	\$ 50,581	\$ 45,700	\$ 40,802	\$ -	\$ -	\$ -
<b>Net Income (loss)</b>	\$(150,552)	\$(425,069)	\$(516,134)	\$(721,318)	\$(587,837)	\$(1,550,412)	\$(596,962)	\$(719,995)
<b>Basic per share</b>	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.02)
<b>Diluted per share</b>	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)	\$ (0.02)

The eight quarters above are a reflection of the Company's current operations, being both in development and operational capacities. As noted above, there were further expenses in 2008 as the last components necessary for implementation of the Vietnamese Lottery Program are acquired and/or completed and increases in 2009 in the short term for post launch support and development, although G&A costs reductions were implemented through the remainder of 2009 which experienced significant reductions. Continuing into 2010, the company has further reduced costs. Following anticipated financing some expense increases are to be expected.

**Liquidity**

There was a decrease in working capital for the period ended March 31, 2010, from a working capital balance of \$(576,344). (as of December 31, 2009) to \$(648,032). This change (being in the amount of \$80,688) is attributable to incurred overhead, direct development costs and pre/post market launch expenses in relation to the Vietnamese Lottery Program, in keeping with anticipated costing. The negative working capital position is expected to revert to a positive position through further anticipated financing and increased revenues expected subsequent to this quarter, with some temporary rise in costs associated with the implementation of the mobile phone system, MobiLot through 2010. (see: **Selected Annual Information**).

**Liquidity (Continued)**

The Company's ongoing long term liquidity is dependent on receiving additional financing to support the MobiLot implementation and the contemplated revenue following this expansion of the Vietnamese Lottery Program.

Further, a significant portion of the initial contemplated revenue is anticipated to be reinvested during the early period of the Vietnamese Lottery Program in order to maximize revenues to be derived from the Vietnamese Lottery Program.



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The Company anticipates that the revenue following the expansion of operations through MobiLot (allowing for a reasonable introduction period) of the Vietnamese Lottery Program will be sufficient to fund the Company's financial requirements through its long term growth and the achievement of the Company's profitability targets.

The Company has determined it necessary to acquire some short term debt, other than the trade payables and short term advances, in order to bridge to the anticipated financings in 2010, this amount is identified on the balance sheet with a value at December 31, 2009 to be \$318,627. This amount increased subsequent to 2009 and is a demand loan accruing interest at 8% per annum.

### **Critical Accounting Estimates**

The consolidated financial statements (which should be read in conjunction with this document) have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. Such critical estimates include the valuation of the options and warrants issued. The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities which might be necessary should the Company be unable to continue in business.

### **Commitments and contingencies**

- a) Pacific Lottery Corporation's wholly owned international subsidiary Emerging Market Solutions International Inc., as of September 12, 2007, entered into a new 10 year exclusive and comprehensive technology supply and services Contract with the Vietnamese Government designated on-line lottery agency, the Ha Noi Capital Construction Lottery Company Ltd. ("HCCLC").
- b) In 2004, the Corporation executed an agreement with HANEL for the manufacture of the Terminals. The Manufacturing Agreement provides for pricing

**Commitments and contingencies (Continued)**



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of the Terminals at various volume levels. The minimum number of Terminals to satisfy the Corporation's commitment for the Vietnamese Lottery Program. (Also See: **Liquidity**).

### **Financial instruments**

- a) Fair values of financial assets and liabilities – The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and obligations under capital leases. The fair value of these financial instruments (with the exception of capital lease obligations) approximate their carrying values due to their relatively short term to maturity of the instruments. The fair value of the capital lease obligations is not practicably determinable.
- b) Interest rate risk – The Company is exposed to interest rate risk which bears fixed and variable rates of interest through its capital lease obligations and short term investment instruments.

New CICA handbook requirements in regard to financial instruments came into effect in 2008 and 2009. The impact of these measures will impact the disclosure of financial instruments of the Company, including loans and receivables, trading assets and liabilities, debt securities, equities securities, non-trading liabilities and non-hedging derivatives.

### **Risk Factors**

Please see the Annual Information Form ("AIF") for the fiscal year ended December 31, 2004 filed on SEDAR ([www.sedar.com](http://www.sedar.com)) March 24, 2005 listing the Risk Factors associated with the Corporation and its current operational objectives. There were no significant changes to the risks described in the AIF during the period following this fiscal year.

### **Forward Looking Statements**

The information herein may contain forward-looking statements including expectations of future operations, cash flow or earnings. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by



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these forward looking statements. Additional information on these and other factors that could affect the Corporation's operations or financial results are included in the Corporation's reports on file with Canadian securities regulatory authorities.

### Summary of securities as at the end of the reporting period:

- a) Description of authorized share capital:
  - Unlimited number of common shares
  - Unlimited number of preferred shares, issuable in series
- b) Number and recorded value for shares as at the end of this reporting period:
  - Issued and outstanding:  
93,032,766 common shares with a recorded value of \$ 33,961,195
- c) Description of options and warrants outstanding:

Number of options	Exercise Price	Expiry Date
3,730,000	\$0.25	March 17, 2011
500,000	\$0.58	March 17, 2011
4,160,000	\$0.40	January 28, 2013
8,390,000		

Number of warrants	Exercise Price	Expiry Date
7,910,910	\$0.12	August 17, 2014
1,250,000	\$0.10	December 23, 2014
7,910,910		

- d) Number of shares subject to escrow or pooling agreements: Nil

### Additional Information

Additional information about the Company, including prior period reporting is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Contact Information

David W. Jones  
Director and Corporate Secretary

Phone: (403) 266-8900  
Fax: (403) 266-8909



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Corporation

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Pacific Lottery Corporation

e-mail: [djones@pacificlottery.ca](mailto:djones@pacificlottery.ca)

web page: [www.pacificlottery.ca](http://www.pacificlottery.ca)