

QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 2010

Item 1: Exact name of issuer and address of principal executive offices.

Southwest Casino Corporation (formerly Lone Moose Adventures, Inc.)

20 N.E. 64th Way
Minneapolis, MN 55432

Telephone: 952-853-9990
Fax: 952-853-9991

Websites: www.swcasino.com
 www.grush.com

Item 2: Number of shares outstanding for each class of securities authorized.

Period end date	June 30, 2010	December 31, 2009
Number of shares authorized	75,000,000	75,000,000
Number of shares outstanding	31,126,687	30,386,687
Freely tradable shares (public float):	13,765,017	13,765,017
Total number of beneficial shareholders	As of June 30, 2010 – 3	As of December 31, 2009 – 3
Total number of shareholders of record:	As of June 30, 2010 - 284	As of December 31, 2009 - 283

Item 3 Interim Financial statements.

Introductory Comment – Use of Terminology

Throughout this Annual Report, references to “Southwest”, “the company”, “we”, “our”, or “us”, unless the context indicates otherwise, refer to Southwest Casino Corporation and its subsidiaries and do not refer to the predecessor corporation, Lone Moose Adventures, Inc. References in this report to “Lone Moose” refer to Lone Moose Adventures, Inc. before our reorganization on July 22, 2004.

Note Regarding Forward Looking Statements

This Quarterly Report contains or incorporates by reference not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”). In addition, Southwest or others on Southwest’s behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences, in press releases or reports, or elsewhere. Statements that are not historical are forward-looking and reflect expectations and assumptions. We try to identify forward-looking statements in this report and elsewhere by using words such as “may,” “will,” “should,” “expects,” “anticipates,” “contemplates,” “estimates,” “believes,” “plans,” “projected,” “predicts,” “potential” or “continue” or the negative of these or similar terms.

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses as well as matters specific to Southwest. We caution the reader that forward-looking statements involve risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied in the forward-looking statements. These risks and uncertainties include,

- We are unable to continue operating our casinos under our current lease at the Gold Rush/Gold Diggers casinos;
- we have a need for debt or equity financing;
- cost of available and feasible debt or equity financing;
- the effects of the smoking ban in Colorado, effective January 1, 2008 on our casinos in Cripple Creek, CO;
- the effects of competition, including a new casino in Cripple Creek, CO and the location of competitors and operating and market competition;
- the effect of economic, credit and capital market conditions on the economy in general, and on gaming companies in particular; our ability to recoup costs of capital investments through higher revenues;
- success of our customer tracking and customer loyalty programs;
- abnormal gaming holds;
- litigation outcomes and judicial actions, including gaming legislation, referenda and taxation;
- the effects of environmental and structural building conditions relating to the Company’s properties; and
- changes in laws (including increased tax rates), regulations or accounting standards, third-party relationships and approvals, and decisions of courts, regulators and governmental bodies.
- our international consulting agreement terminated in April 2009, any future international operations will require us to understand and comply with the gaming regulations and operate in economic environments that are new to us and may differ significantly from the regulatory and economic models in which we currently operate.

Readers of this Quarterly Report should carefully consider such risks, uncertainties and other information, disclosures and discussions which contain cautionary statements identifying important factors that could cause our actual results to differ materially from those provided forward looking statements. Readers should not place undue reliance on forward looking statements contained in this Quarterly Report. Any forward-looking statements speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial information for the issuer's most recent fiscal period.

SOUTHWEST CASINO CORPORATION
Consolidated Balance Sheets
As of June 30, 2010 (unaudited) and December 31, 2009 (unaudited)

ASSETS		2010	2009
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 768,723	\$ 752,171
Accounts Receivable		339,265	9,853
Inventories		33,725	36,930
Prepaid Expenses and Other Current Assets		436,393	432,968
Total Current Assets		<u>\$ 1,578,106</u>	<u>\$ 1,231,922</u>
PROPERTY AND EQUIPMENT			
Leasehold Improvements		15,550,325	15,537,692
Furniture and Equipment		5,400,341	5,402,205
Accumulated Depreciation		(13,555,527)	(12,996,739)
Net Property and Equipment		<u>\$ 7,395,139</u>	<u>\$ 7,943,158</u>
OTHER ASSETS			
Other Assets		55,622	95,279
Total Other Assets		<u>\$ 55,622</u>	<u>\$ 95,279</u>
TOTAL ASSETS		<u><u>\$ 9,028,867</u></u>	<u><u>\$ 9,270,359</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable		\$ 1,017,202	\$ 1,088,850
Accrued Expenses		1,059,439	1,402,036
Accrued Liabilities - Related Parties		301,178	301,178
Current Portion of Long-Term Liabilities		6,583,328	1,962,030
Accrued Interest Payable		40,963	43,818
Total Current Liabilities		<u>\$ 9,002,110</u>	<u>\$ 4,797,912</u>
LONG-TERM LIABILITIES			
Long-Term Liabilities Net of Current Portion		<u>\$ -</u>	<u>\$ 5,019,838</u>
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY			
Preferred Stock, \$.001 Par Value; 30,000,000 Shares Authorized		\$ -	\$ -
Common Stock, \$.001 Par Value			
75,000,000 Shares Authorized, 31,483,687 and 30,743,687 Shares Issued at Marh 31, 2010 and December 31, 2009		31,485	30,745
and 31,126,687 and 30,386,687 Outstanding at March 31, 2010 and December 31, 2009			
Additional Paid-in Capital		24,360,630	24,301,300
Accumulated Deficit		(24,043,058)	(24,557,136)
		349,057	(225,091)
Less Treasury Stock (357,000 shares redeemed)		(322,300)	(322,300)
Total Stockholders' Equity (Deficit)		<u>26,757</u>	<u>(547,391)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		<u><u>\$ 9,028,867</u></u>	<u><u>\$ 9,270,359</u></u>

SOUTHWEST CASINO CORPORATION
Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2010 (unaudited) and 2009 (unaudited)

	For the three months ended June 30, 2010	For the three months ended June 30, 2009	For the six months ended June 30, 2010	For the six months ended June 30, 2009
NET REVENUES				
Casino	\$ 2,942,612	\$ 3,174,322	\$ 5,855,145	\$ 6,253,467
Food & Beverage/Hotel	79,333	85,161	150,566	166,696
Management and Consulting	-	100,000	-	300,000
Other	20,840	22,747	42,926	45,738
	<u>3,042,785</u>	<u>3,382,230</u>	<u>6,048,637</u>	<u>6,765,901</u>
EXPENSES				
Casino	\$ 2,151,510	\$ 2,329,772	\$ 4,416,653	\$ 4,667,026
Food & Beverage/Hotel	287,240	336,001	583,559	662,650
Corporate Expense	101,927	460,159	182,358	1,052,376
Project Development Costs	-	2,160		2,160
Entertainment	180	635	709	1,262
Depreciation and Amortization	277,969	298,480	560,440	602,856
	<u>2,818,826</u>	<u>3,427,207</u>	<u>5,743,719</u>	<u>6,988,330</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ 223,959</u>	<u>\$ (44,977)</u>	<u>\$ 304,918</u>	<u>\$ (222,429)</u>
OTHER INCOME (EXPENSE)				
Interest Income	\$ 10,359	\$ -	\$ 10,359	\$ -
Interest Expense	(190,102)	(189,907)	(367,045)	(409,840)
Gain (Loss) on Disposition of Property and Equipment	(16)	-	(16)	-
Award	566,217		566,217	
Other	(324)	(4,910)	(355)	182,782
	<u>386,134</u>	<u>(194,817)</u>	<u>209,160</u>	<u>(227,058)</u>
Income (Loss) before income taxes, loss in earnings of unconsolidated subsidiaries	610,093	(239,794)	514,078	(449,487)
Income taxes	-	-	-	-
Loss of Unconsolidated Subsidiaries	-	-	-	-
NET GAIN (LOSS)	<u>\$ 610,093</u>	<u>\$ (239,794)</u>	<u>\$ 514,078</u>	<u>\$ (449,487)</u>
Gain (loss) per share - basic	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ (0.01)</u>
Gain (loss) per share - diluted	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ 0.02</u>	<u>\$ (0.01)</u>
Weighted average common shares outstanding - basic	<u>31,126,687</u>	<u>30,349,997</u>	<u>31,073,243</u>	<u>30,349,127</u>
Weighted average common shares outstanding - diluted	<u>31,126,687</u>	<u>30,349,997</u>	<u>31,073,243</u>	<u>30,349,127</u>

See Notes to Unaudited Consolidated Financial Statements

SOUTHWEST CASINO CORPORATION
Consolidated Statements of Cash Flows
For the Period Ended June 30, 2010 (unaudited) and 2009 (unaudited)

	2010	2009
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 514,085	\$ (449,487)
Adjustments to Reconcile Net Income (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	560,440	602,856
Amortization of Loan Costs	39,656	77,767
(Gain) Loss on Disposition of Property and Equipment	16	4,201
Stock Based Compensation Expense	23,070	247,192
Change in Current Assets and Liabilities,		
(Increase) Decrease in Receivables	(329,412)	14,346
(Increase) Decrease in Inventories	3,205	52,620
(Increase) Decrease in Prepaid Expenses and other Current Assets	(3,425)	409,661
Increase (Decrease) in Accounts Payable	(71,648)	35,750
Increase (decrease) in accrued liabilities - related parties	-	203,171
Increase (Decrease) in Accrued Expenses	(342,597)	(299,914)
Increase (Decrease) in Accrued Interest Payable	(2,855)	(14,060)
Net Cash Provided By Operating Activities	<u>\$ 390,535</u>	<u>\$ 915,804</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(12,443)	(105,652)
Proceeds from Sale of Property and Equipment	-	1,100
Net Cash Used in Investing Activities	<u>\$ (12,443)</u>	<u>\$ (104,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Borrowings	(398,540)	(514,353)
Proceeds from Issuance of Common Stock and Warrants	37,000	-
Redemption of Common Stock	-	(45)
Payment of Financing Costs	-	(3,011)
Net Cash Used in Financing Activities	<u>\$ (361,540)</u>	<u>\$ (517,409)</u>
Net Increase in Cash and Cash Equivalents	16,552	293,843
CASH AND CASH EQUIVALENTS		
Beginning of Period	752,171	720,667
End of Period	<u>\$ 768,723</u>	<u>\$ 1,014,510</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 317,787	\$ 342,499
Income Taxes Paid	\$ 300	\$ 70
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Financing costs included in accounts payable		\$ 3,881

See Notes to Unaudited Consolidated Financial Statements

SOUTHWEST CASINO CORPORATION
Consolidated Statements of Changes in Stockholders' Equity
For the Period Ended June 30, 2010 (unaudited)

	<u>Treasury Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Number of</u>	<u>Amount</u>	<u>Number of</u>	<u>Amount</u>	<u>Paid-in Capital</u>	<u>Earnings</u>	
	<u>Shares</u>		<u>Shares</u>				
BALANCE December 31, 2009	<u>(357,000)</u>	<u>(322,300)</u>	<u>30,743,687</u>	<u>30,745</u>	<u>24,301,300</u>	<u>(24,557,136)</u>	<u>(547,391)</u>
Issuance of common stock			740,000	\$ 740	\$ 36,260		37,000
Stock-Based Compensation Expense Related to Options and Warrants					23,070		23,070
Net Loss						514,078	514,078
BALANCE June 30, 2010	<u>(357,000)</u>	<u>(322,300)</u>	<u>31,483,687</u>	<u>31,485</u>	<u>24,360,630</u>	<u>(24,043,058)</u>	<u>26,757</u>

See Notes to Unaudited Consolidated Financial Statements

NOTE 1 — BASIS OF PRESENTATION

The unaudited consolidated financial statements of Southwest Casino Corporation, a Nevada corporation (the "Company" or "Southwest"), have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") applicable to interim financial information. Accordingly, certain information normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States has been condensed or omitted. For further information, please refer to the annual consolidated financial statements of the Company, and the related notes included within the Company's Annual Report filed for the year ended December 31, 2009, filed with OTC Disclosure and News Service on April 1, 2010.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included, consisting only of normal recurring adjustments. The results for the current interim period are not necessarily indicative of the results to be expected for the full year.

NOTE 2—RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In April 2010, Accounting Standards Update No. 2010-16, *Entertainment—Casinos (Topic 924): Accruals for Casino Jackpot Liabilities* ("ASU 2010-16"), was issued. ASU 2010-16 codifies the consensus reached in Emerging Issues Task Force Issue No. 09-F, "Casino Base Jackpot Liabilities." ASU 2010-16 amends the FASB Accounting Standards Codification™ to clarify that an entity should not accrue jackpot liabilities, or portions thereof, before a jackpot is won if the entity can avoid paying the jackpot. Jackpots should be accrued and charged to revenue when an entity has the obligation to pay the jackpot. The guidance in this ASU applies to both base and progressive jackpots. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments should be applied by recording a cumulative-effect adjustment to opening retained earnings in the period of adoption. We are currently evaluating the requirements of ASU 2010-16 and have not yet determined the impact on our consolidated financial statements.

In February 2010, Accounting Standards Update No. 2010-09, *Amendments to Certain Recognition and Disclosure Requirements* ("ASU 2010-09"), was issued to as an amendment to ASC 855, *Subsequent Events*. ASU 2010-09 removed the requirement for SEC registrants to disclose the date through which management evaluated subsequent events in both their originally issued and reissued financial statements. The adoption of this accounting standard did not have any impact on our consolidated financial statements.

In January 2010, Accounting Standards Update No. 2010-06, *Improving Disclosures About Fair Value* In January 2010, Accounting Standards Update No. 2010-06, *Improving Disclosures About Fair Value Measurements* ("ASU 2010-06"), was issued as an amendment to ASC 820, *Fair Value Measurements and Disclosures*. ASU 2010-06 did not change any accounting requirements, but added new disclosures for transfers between hierarchy levels and clarified existing disclosure requirements. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

NOTE 3 — GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

The Company incurred a net gain of \$514,078 during the six months ended June 30, 2010 and has an accumulated deficit of \$24.0 million. Although the Company incurred a net gain in the first six months of

2010 we have significant debt and other liabilities which we are continuing to resolve or renegotiate, however there is no assurance that we will be successful, as such this and the significant accumulated deficit raises substantial doubt about our ability to continue as a going concern.

As discussed in Note 18, we are involved in a dispute with our landlord at the Gold Rush/Gold Diggers casinos, whereby the lessor attempted serving notice to us in August 2010, seeking to terminate the lease for lack of rent payments. The Court has ordered mandatory mediation to take place on September 21, 2010. The notice received in August 2010 was ruled invalid; as such the lessor will need to file a valid notice. If lessor is successful we will need to cease operations at our two casinos, and either relocate the business or sell assets and liquidate the bank debt. As a result of this dispute we have classified the capital lease obligations as a current liability, see Note 18.

Additionally, as discussed in Note 8, the Company entered into a third amendment to the loan agreement in February 2010, which extended the maturity date to December 31, 2010 and waived principal payments in January, February and March 2010, see Note 8. All of the Company's assets are pledged as collateral for the Crown debt as well as personal guarantees, see Note 8. We also have received vendor or legal claims regarding asserted amounts owed, see Note 17.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

NOTE 4—FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS No. 157), provides guidance for measuring the fair value of assets and liabilities and requires expanded disclosures about fair value measurements. ASC 820 indicates that fair value should be determined based on the assumptions marketplace participants would use in pricing the asset or liability and provides additional guidelines to consider in determining the market-based measurement.

ASC 820 requires fair value measurement be classified and disclosed in one of the following categories:

- Level 1:* Unadjusted quoted market prices for identical assets and liabilities.
- Level 2:* Inputs other than Level 1 that is observable, either directly or indirectly, for the asset or liability through corroboration with market data for substantially the full term of the asset or liability.
- Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities (management's own assumptions about what market participants would use in pricing the asset or liability at the measurement date).

The fair value of our cash equivalents approximates the carrying value at June 30, 2010 and December 31, 2009. The fair value was determined based on Level 1 inputs.

The carrying value of amounts outstanding under our debt owed Crown Bank (see Note 7) at June 30, 2010 approximate fair value based on the prevailing interest rates

NOTE 5 —PROMOTIONAL ALLOWANCES

Revenue does not include the retail amount of rooms, food, and beverage provided gratuitously to customers, which was approximately \$518,000 and \$552,000 during the six months ended June 30, 2010 and 2009, respectively and was approximately \$241,000 and \$299,000 during the three months ended June 30, 2010 and 2009, respectively

NOTE 6 – AWARD

The Company was engaged in a matter whereby the Cheyenne and Arapaho Tribes of Oklahoma (“the Tribes”) alleged the company breached the gaming management agreement with the Tribes that terminated in August 2007. The Company filed a Cross-Complaint alleging the Governor of the Tribes breached the Management Agreement by refusing to negotiate in good faith for an extension and expansion of the gaming management relationship between Southwest and the Tribes.

The Company has entered into three contingency fee agreements whereby the other parties to the agreement will receive a contingency fee based upon a favorable settlement in this matter, for providing monetary resources and expertise in this matter.

The American Arbitration Association (the “AAA”) heard arguments in June 2009 with final arguments in August 2009.

Arbitration Panel Ruling and Award:

The AAA ruled on the matter and found the following:

- Southwest did not materially breach any of the terms of the Third Amended Agreement.
- Southwest did not materially interfere in tribal politics or government affairs of the Tribes.
- The Tribes breached the Third Amended Agreement with Southwest by failing and refusing to negotiate in good faith with Southwest for an extension or new agreement after the advent of Class III gaming in Oklahoma. The AAA awarded \$500,000 in damages to Southwest along with payment of all reasonable costs and attorney fees in pursuing Southwest rights in connection with the Third Amended Agreement.
- The Tribes did not sustain their burden that Southwest materially breached the Third Amended Agreement and the Tribes are not entitled to contract damages.
- Southwest did breach its fiduciary duties owed to the Tribes in certain instances and owes the Tribes \$9,818.

The Company submitted its costs and attorney fees in this case to the Tribes in which the Tribes disputed the amounts claimed.

The Company filed a motion with the AAA to reopen proceedings to award fees and costs on March 15, 2010.

The AAA issued an order on May 18, 2010 requiring the Tribes to pay legal fees in the amount of \$1,176,000 and the award of \$490,000. The total amount is to be repaid in twelve equal installments beginning June 15, 2010.

Approximately \$1,100,000 of the total award and legal fees related to three contingency fee agreements and will be withheld from the payments to the Company proportionately over twelve equal monthly installments. The Company has netted the above contingency fees with the award as the Company does not receive the payments directly from the Tribes. Instead the payment is received by the law firm in-charge of this matter and distributed to all parties involved, including us, on a monthly basis. The Company previously expensed and recorded a liability of approximately \$210,000 related to this matter. This amount was included as part of the total legal fees of \$1,176,000. This liability will be repaid from the payments from the Tribes over the twelve equal installments. The Company recorded award income of approximately \$357,000 (net of contingency fee payments) plus the \$210,000 of previously expensed legal fees. The total award and legal fees began accruing interest at 4% on September 23, 2009 the date of the AAA ruling.

NOTE 7 – RECEIPT OF DISPROPORTIONATE CONTRIBUTION

Other income included on the consolidated statement of operations during the six months ended June 30, 2009 includes the receipt of \$192,500 from MTR Gaming related to a disproportionate contribution agreement entered into in July 2008 related to our prior investment in North Metro Harness Initiative, LLC.

NOTE 8 — MARCH 2008 DEBT ISSUANCE

Crown Bank Loan:

Effective February 26, 2010, the Company entered into the Third Note Modification Agreement with the guarantors of the loan with Crown Bank and Crown Bank, whereby the \$1.55 million note was amended requiring interest only payments on January 11th, February 11th and March 11th 2010. Thereafter monthly principal amortization will resume in the amount of \$30,000 per month with a balloon payment of \$1,070,000 due on December 31, 2010. The interest rate remains unchanged at a floating rate of prime plus 1.5 percent, with a minimum interest rate of 7.0 percent (currently 7.0%). Interest accrues and is payable monthly

Future minimum principal payments required as of June 30, 2010, are:

June 30, 2010 — December 31, 2010	\$	1,256,822
-----------------------------------	----	-----------

Each of the Notes is co-signed by a shareholder of the Company. Each of these co-signers is fully obligated to Crown Bank and individually liable for the principal amount and any accrued and unpaid interest and costs outstanding under the individual note that shareholder co-signed. As a condition to entering into the Notes, Crown Bank required James Druck, Chief Executive Officer, Thomas Fox, President and Chief Operating Officer, and Jeffrey Halpern, Vice President of Government Affairs of the Company to increase their previously existing \$150,000 personal guarantees of the Company’s outstanding \$450,000 line of credit to \$250,000 and extend those guarantees to cover both the line of credit and the promissory notes through their respective repayment terms. The guarantees were reduced to \$100,000 each after the repayment of the line of credit in July 2008.

The promissory notes contain customary events of default, including, without limitation, payment defaults, insolvency or bankruptcy, death or incompetency of a co-signer, business termination, misrepresentation, monetary judgment defaults and other material changes.

In consideration of co-signing the promissory notes or increasing and extending personal guarantees to cover the promissory notes, the Company issued five-year fully exercisable warrants to purchase an

aggregate of 2,300,000 shares of its common stock at an exercise price of \$0.39 per share to the shareholder co-signers and Mr. Druck, Mr. Fox and Mr. Halpern. Each co-signer received a warrant to purchase one share of Southwest Casino Corporation common stock for each \$1.00 in principal amount of the promissory note co-signed by that shareholder. In consideration of the increase in the amount and extension of the term of their respective guarantees, Mr. Druck, Mr. Fox and Mr. Halpern each received warrants to purchase one share of Southwest Casino Corporation common stock for each \$1.00 of guarantee, or 250,000 shares each. The \$0.39 per share exercise price of these warrants represented the average closing market price of one share of Southwest Casino Corporation's common stock over the 5 trading days preceding the closing of the loan transaction. Warrant holders also received the right to have the shares of Southwest Casino Corporation common stock purchasable upon exercise of their warrants included in any registration statement that Southwest Casino Corporation may file in the future ("piggy-back rights") under the terms of a separate Registration Rights Agreement dated March 10, 2008. The Company valued the warrants in connection with the financing transaction, see Note 13.

In further consideration of co-signing the promissory notes, the Company also entered into a Pledge Agreement with the co-signers and guarantors under which it pledged its shares of Southwest Casino and Hotel Corp. to the co-signers and guarantors to secure any liabilities or obligations they may incur under the promissory notes.

The Company, the co-signers, and Messrs. Druck, Fox and Halpern also entered into a Contribution Agreement dated March 10, 2008. Under the Contribution Agreement, the Company agreed to reimburse to any co-signer or guarantor any amount paid in connection with the promissory notes for reason other than Southwest's inability to pay. If Southwest is unable to repay the notes, each of the co-signers and Mr. Druck, Mr. Fox and Mr. Halpern agreed in the Contribution Agreement to indemnify each other so that any payments made by co-signers or guarantors will be made in proportion to the original principal amount of the promissory note co-signed or personal guarantee given to the total amount of all promissory note and loan guarantees. The Contribution Agreement does not increase the obligation of a guarantor beyond the guarantor's guaranteed amount.

The Company used the proceeds from the loan transaction for general working capital, including additional membership contributions to North Metro Harness Initiative, LLC (former equity investment sold in October 2008).

NOTE 9 — EARNINGS PER SHARE

For all periods, basic earnings (loss) per share is calculated by dividing earnings (loss) by the weighted-average number of common shares outstanding. The Company had a net gain for the three and six months ended June 30, 2010, however all common stock equivalents were out of the money and as such a calculation of gain per share on a fully diluted basis would be anti-dilutive, thus stock options and warrants to purchase 2,613,594 and 9,157,012 common shares were not included in the calculation of gain per share for 2010. The Company had a net loss for the three and six months ended June 30, 2009, however all common stock equivalents were out of the money and as such a calculation of loss per share on a fully diluted basis would be anti-dilutive.

NOTE 10 — STOCKHOLDERS' EQUITY

During the six months ended June 30, 2010 the company issued 740,000 shares of common stock at \$0.05 per share in a private placement. The proceeds of \$37,000 were used to settle a legal matter, see Note 17.

NOTE 11— LONG-TERM OBLIGATIONS

Capital Lease Default

Challenges from the competition, smoking ban, and the economy in general, coupled with the recommencement of principal payments on the debt to our secured lender, Crown Bank, make it very difficult for us to meet the payments contemplated by the lease at the Gold Rush. We have communicated this to the lessor. We had a default in November 2009 which was cured in December 2009, and a default in December 2009 that was cured in January 2010. We received a default notice from the lessor in February 2010. We entered into a short-term agreement through March whereby the lessor granted certain concessions and withdrew the notice of default. We continue discussions with the lessor and continue to pay under the lease, however the lease payments have been reduced by us which we have communicated with the lessor. We are hopeful that long-term restructuring of the lease can be accomplished. If adequate arrangements cannot be made, the lease of Gold Rush is in jeopardy, see Note 18.

The lease terminates in April 2019.

NOTE 12 —STOCK OPTIONS

We account for stock-based compensation in accordance with ASC 718 *Compensation—Stock Compensation* (formerly SFAS No. 123(R), *Share-Based Payment*). ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statement of operations based on their fair values and that compensation expense is recognized for awards over the requisite service period of the award or to an employee's eligible retirement date, if earlier. This accounting standard also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow.

Valuation and Expense Information

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statement of operations.

The effect of stock options issued to employees, directors and consultants was to decrease the net gain for the three and six months ended June 30, 2010 by \$11,536 and \$23,070, respectively and basic gain per share by \$0.0004 and \$0.0007, respectively. The effect of stock options issued to employees, directors and consultants was to increase the net loss for the three and six months ended June 30, 2009 by \$206,925 and \$247,192, respectively and basic loss per share by \$0.007 and \$0.008, respectively.

Options are granted to employees and directors at prices equal to the market value of the stock on the dates the options are granted. The options granted have terms of 5 to 10 years from the grant date and granted options typically vest quarterly over a one to three year period. The fair value of each option is amortized into compensation expense over the period the option vests. The Company has estimated the fair value of all stock options as of the date of grant by applying the Black-Scholes pricing valuation model.

The application of this valuation model involves assumptions that are judgmental and sensitive in the determination of compensation expense.

No options have been granted since January 1, 2009.

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
Balance at December 31, 2009	3,513,594	\$ 0.61		
Granted	-	-		
Forfeited/cancelled/expired	(900,000)	\$ 1.00		
Balance at June 30, 2010	2,613,594	\$ 0.47		
Options outstanding at June 30, 2010	2,613,594	\$ 0.47	5.6 years	-
Options exercisable at June 30, 2010	2,535,156	\$ 0.47	5.5 years	-

As the closing stock price of \$0.02 at June 30, 2010 was less than the weighted average exercise price for both options outstanding and options exercisable there was no intrinsic value. As of June 30, 2010, the Company's unrecognized share-based compensation related to stock options issued to employees and directors was approximately \$23,071. This cost is expected to be expensed over a weighted average period of the remainder of 2010. Stock options in the amount of 900,000 expired unexercised during the six months ended June 30, 2010.

No tax benefit has been recorded on share based compensation expense for the three and six months ended June 30, 2010 and 2009.

NOTE 13 — WARRANTS

The Company had 9,157,012 warrants outstanding at June 30, 2010 at a weighted average exercise price of \$0.62. No warrants were granted, exercised or cancelled during the six months ended June 30, 2010. The Company has deferred financing costs related to the issuance of warrants in connection with the Crown Bank debt of \$39,347 as of June 30, 2010 included with Other Assets on the consolidated balance sheet. The Company recognized amortization expense (charged to interest expense) of \$18,833 and \$37,765 during the three and six months ended June 30, 2010, respectively and recognized \$27,125 and \$73,368 during the three and six months ended June 30, 2009, respectively.

NOTE 14 — PROVISION FOR INCOME TAXES

The Company recognizes in its financial statements the largest tax benefit of a tax position that is "more-likely-than-not" to be sustained on audit, based solely on the technical merits of the position as of the reporting date. Only tax positions that meet the "more-likely-than-not" threshold at that date may be recognized. The term "more-likely-than-not" means a likelihood of more than 50 percent.

The Company accounts for interest and penalties (if any) as interest expense in the Statement of Operations.

The Company does not have any unrecorded tax benefits as of June 30, 2010 or December 31, 2009.

The Company's tax returns for the tax years 2006 through 2009 remain subject to examination by major tax jurisdictions. However, as the Company has net operating losses from prior years these tax returns can also be examined once these net operating losses are utilized in future tax filings. We have completed an IRS examination of our Federal tax returns for tax years ended December 31, 2007 and 2008. The adjustments to net operating losses were primarily a shift in the characterization of the loss on disposition of North

Metro Harness, LLC from an ordinary loss to a capital loss. This re-characterization of loss will have no impact on the financial position of the Company as we have recorded a 100% valuation allowance against deferred tax assets.

Management evaluated its probable ability to utilize deferred tax assets arising from net operating loss carry forwards, deferred tax assets and other ordinary items and determined that a valuation allowance was appropriate as of March 31, 2010 and 2009 due to continued losses. As a result of this evaluation, a tax benefit was reduced by a comparable valuation allowance for the three months ended March 31, 2010 and 2009. As of March 31, 2010 and December 31, 2009 the Company's deferred tax asset is zero.

NOTE 15 — RELATED PARTY TRANSACTIONS

The Company has a liability to certain officers and stockholders for unpaid compensation and expenses of \$301,178 as of June 30, 2010 and December 31, 2009.

NOTE 16 — SEGMENTED INFORMATION

The Company has grouped its operations into two segments, Casino Operations and Casino Management.

The segment Casino Operations includes the Company's operations in Cripple Creek, Colorado where the Company operates two casinos and an outdoor amphitheatre. The segment Casino Management relates to our management and consulting business. Corporate expenses are included as a reduction in Casino Management income. Corporate expenses have not been allocated to Casino Operations.

Segment information related to the three months ended June 30, 2010 follows:

	Casino Operations	Casino Management	Total
Revenues	\$ 3,042,785	\$ -	\$ 3,042,785
Segment profit (loss) before income taxes	195,856	414,237	610,093
Total segment assets	8,627,526	401,341	9,028,867
Total expenditures for segment assets	12,443	-	-

Segment information related to the six months ended June 30, 2010 follows:

	Casino Operations	Casino Management	Total
Revenues	\$ 6,048,637	\$ -	\$ 3,005,852
Segment profit (loss) before income taxes	227,383	286,695	514,078
Total segment assets	8,627,526	401,341	9,028,867
Total expenditures for segment assets	12,443	-	-

Segment information related to the three months ended June 30, 2009 follows:

	Casino Operations	Casino Management	Project Development	Total
Revenues	\$ 3,282,230	\$ 100,000		\$ 3,382,230
Segment profit (loss) before income taxes	191,236	(428,870)	(2,160)	(239,794)
Total segment assets	9,865,095	188,218		10,053,313
Total expenditures for segment assets	75,466	-		75,466

Segment information related to the six months ended June 30, 2009 follows:

	Casino Operations	Casino Management	Project Development	Total
Revenues	\$ 6,456,901	\$ 100,000		\$ 3,382,230
Segment profit (loss) before income taxes	264,579	(428,870)	(2,160)	(239,794)
Total segment assets	9,865,095	188,218		10,053,313
Total expenditures for segment assets	105,145	507		105,652

NOTE 17 — COMMITMENTS AND CONTINGENCIES

In 2004, the Company purchased player tracking software and slot accounting software from IGT. On December 29, 2005, the Company entered into an agreement with IGT to finance \$460,324 of the purchase price for this system over 48 months with interest rate equal to the prime rate (3.25% at June 30, 2010). As of June 30, 2010 the amount has been paid in full. In addition, the Company agreed to purchase additional software for \$200,000, which will allow the Company to offer bonusing to its customers. The purchase is contingent upon IGT receiving necessary approvals for the bonusing system from the Colorado Division of Gaming.

Under the Company's employment agreements with James B. Druck, CEO, Thomas E. Fox, President and COO, and Jeffrey S. Halpern, Vice President of Government Affairs, which were effective July 1, 2004, these executives can elect to continue their employment in a reduced capacity, with continuing medical benefits and a salary equal to their base pay at the time of termination for 12 months and not less than \$25,000 after 12 months if the Company terminates the executive's employment without cause or in connection with a change in control of the Company (as defined in the employment agreement) or if the executive terminates his employment with the Company for good cause (as defined in the employment agreement). The initial term of these agreements expired July 1, 2006, after which the agreement renewed and will continue to renew automatically for additional one-year terms unless terminated.

Bonuses:

Unpaid bonuses in the amount of \$35,000 are reflected as an accrued liability at June 30, 2010.

Settlement with Otoe Missouri Tribe:

On August 13, 2008, the Company received a payment in the amount of \$227,396 from the Otoe-Missouria Tribe of Oklahoma to settle a dispute regarding misrepresentation by certain members of the Tribe in 2006. The National Indian Gaming Commission has inquired into the nature of the payment made by the Tribe. The Company has recorded an accrued liability of \$156,482 as of June 30, 2010 related to the inquiry and the potential amount to be repaid to the Tribe. We are continuing to dispute this matter.

Office Lease Abandonment Agreement

The Company leased office space for corporate offices. The lease expired December 31, 2009. The Company has been in default under its lease agreement since October 2008 for lack of payment.

In May 2009, the Company entered into an agreement to abandon its office space at 2001 Killebrew Drive, Suite 350, Bloomington, MN 55425. This agreement allows the landlord to release the office space to a third party, but it does not terminate the Company's obligation to make lease payments until such office space is released. The landlord has filed a claim seeking approximately \$155,000 under the lease agreement of which the Company has filed a counter claim for breach of the Abandonment Agreement and is seeking damages of \$50,000; see Note 19.

Legal Matters:

Lucky Star Trademark Litigation

On June 13, 2008, the Governor of the Tribes and the Cheyenne and Arapaho Tribes (the "Tribes") filed a Complaint against the Company alleging breach of fiduciary duty by the Company. The Complaint was filed in the Cheyenne and Arapaho Tribal Court. The Company trademarked the name "Lucky Star" in 1993 in the Company's name and the Governor and the Tribes brought suit citing the trademark should have been made in the Tribes name. On June 2, 2009 the Cheyenne and Arapaho Tribal Court ruled in favor of the Tribes and issued a judgment against the Company in the amount of \$5.5 million.

The Company is appealing the decision to the Tribal Supreme Court and will vigorously defend itself in this matter. The Company does not expect any material adverse consequence from this action. Accordingly, no provision has been made in the financial statements for any such losses. However, the Company expects to incur legal expenses to defend itself in this matter, see Note 18.

Other Litigation Matters

In addition to the matters described above, the Company is involved in various claims, legal actions and other complaints arising in the ordinary course of business. Certain amounts have been provided for in the financial statements, however as the Company's cash flow is limited; a negative ruling could have a material effect on the Company's ability to make the payments in a timely manner, see Note 3.

NOTE 17 – SEASONALITY

The operations of all casinos owned by the Company are affected by seasonal factors, including holidays, weather and travel conditions.

NOTE 18 — SUBSEQUENT EVENTS

Office Lease Settlement:

The Company will pay \$10,000 on or before August 13, 2010 and \$4,000 a month for twelve months starting September 24, 2010.

Capital Lease:

We are involved in a dispute with our landlord at the Gold Rush/Gold Diggers casinos, whereby the lessor attempted serving notice to us in August 2010, seeking to terminate the lease for lack of rent payments. The Court has ordered mandatory mediation to take place on September 21, 2010. The mediation was unsuccessful. The attempted notice served by the lessor was found invalid; as such the lessor will need to file a new notice. We also sent a Notice of Default letter to the lessor on September 10, 2010 and a Right of Set-off letter on September 24, 2010 as we discovered the lessor received previous litigation proceeds concerning the Gold Rush prior to us entering into the lease in 1999. The proceeds were to reduce our monthly rent payments.

If lessor is successful we will need to cease operations at our two casinos, and either relocate the business or sell assets and liquidate the bank debt. As a result of this dispute we have classified the capital lease obligations as a current liability.

Lucky Star Trademark Litigation:

On September 21, we settled the dispute with the Tribes over the use of the Lucky Star trademark. We agreed to transfer all of our rights, title and interest in and to the trade name, trademark and logo to the Tribes. The Tribes agreed to consider the transfer as fully satisfying and discharging the judgment in the amount of \$5,500,000 entered in the Tribal Court on June 2, 2009. The case relating to the trademark matter is fully dismissed with prejudice.

Item 4: Management's discussion and analysis or plan of operation.

Summary of Consolidated Operating Results:

For the three months ended June 30, 2010, we had a net gain of \$610,093 on revenues of \$3,042,785 compared to a net loss of \$239,794 on revenues of \$3,382,230 for the same period in 2009. This amounts to a basic gain of \$0.02 and a basic loss of \$0.01 per share during the three months ended June 30, 2010 and 2009, respectively.

The net gain of \$610,093 for the three months ended June 30, 2010 is primarily due to an award of \$566,217 in the arbitration case with the Cheyenne and Arapaho Tribes of Oklahoma which was finally resolved in May 2010, see Item 3 Note 6 to the interim financial statements for further discussion. We also continue to reduce operating expenses resulting in a gain from operations of \$223,959 for the three months ended June 30, 2010 compared to the prior period loss from operations of \$239,794.

For the six months ended June 30, 2010, we had a net gain of \$514,078 on revenues of \$6,048,637 compared to a net loss of \$449,487 on revenues of \$6,756,901 for the same period in 2009. This amounts to a basic gain of \$0.02 and a basic loss of \$0.01 per share during the six months ended June 30, 2010 and 2009, respectively.

The net gain of \$514,078 for the six months ended June 30, 2010 is primarily due to an award of \$566,217 in the arbitration case with the Cheyenne and Arapaho Tribes of Oklahoma which was finally resolved in May 2010, see Item 3 Note 6 to the interim financial statements for further discussion. We also continue to reduce operating expenses resulting in a gain from operations of \$304,918 for the six months ended June 30, 2010 compared to the prior period loss from operations of \$222,429.

Overview:

Our principal business is the management, operation and development of gaming facilities in emerging and established gaming jurisdictions. Currently, we operate two casinos in Cripple Creek, Colorado — Gold Rush Hotel and Casino and Gold Digger's Casino.

On June 25, 2008, we entered into a Modification and Extension of Consulting Agreement (the "Agreement") with Operadora Dominicana Macao, S.A., a subsidiary of Palace Resorts, under which we would manage the casino at the Moon Palace Casino, Golf and Spa Resort in Punta Cana, Dominican Republic for five years once the casino opens. The casino is part of a 1700-room, all-inclusive luxury resort that Palace Resorts constructed on the far eastern tip of the Dominican Republic. Southwest had been consulting with Palace Resorts on the design, development and operation of the casino since September 2007. Effective April 30, 2009, the Company and Palace Resorts entered into a release agreement terminating the Modification and Extension of Consulting Agreement in exchange for the payment of \$100,000 by Palace Resorts to Southwest and the forgiveness of any amounts owed to Palace Resorts by Southwest.

We will need to raise additional debt or equity financing or reduce operating costs and negotiate amended terms on various agreements in 2010.

Effective February 26, 2010, the Company entered into the Third Note Modification Agreement with the guarantors of the loan with Crown Bank and Crown Bank, whereby the \$1.55 million note was amended requiring interest only payments on January 11th, February 11th and March 11th 2010. Thereafter monthly principal amortization will resume in the amount of \$30,000 with a balloon payment of \$1,070,000 due on December 31, 2010. The interest rate remains unchanged at a floating rate of prime plus 1.5 percent, with a minimum interest rate of 7.0 percent (currently 7.0%). Interest accrues and is payable monthly

All of our assets are pledged as collateral for the Crown Bank debt as well as personal guarantees.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event we cannot continue in existence. Although we had a net gain of \$610,093 during the three months ended June 30, 2010 we have an accumulated deficit of \$24.0 million which raises substantial doubt about our ability to continue as a going concern.

We are involved in a dispute with our landlord at the Gold Rush/Gold Diggers casinos, whereby the lessor attempted serving notice to us in August 2010, seeking to terminate the lease for lack of rent payments. The notice was deemed invalid; as such the lessor will need to serve a new notice. The Court has ordered mandatory mediation to take place on September 21, 2010. If lessor is successful we will need to cease operations at our two casinos, and either relocate the business or sell assets and liquidate the bank debt. As a result of this dispute we have classified the capital lease obligations as a current liability, see Note 18 (included in Item 3).

We continually evaluate other management, consulting, development and acquisition opportunities related to gaming that have the potential to generate new revenue streams for us.

Operating segments:

Our executive officers review operating results, assess performance and make decisions related to the allocation of resources on a property by property basis; however, certain properties are combined into one operating segment for financial reporting. We have grouped the following properties into the following three operating segments that are described in further detail below:

Casino Management and Consulting:	Casino Operations:
Palace Resorts	Gold Rush/ Gold Digger’s Casinos

Casino Management and Consulting:

Palace Resorts

In September 2007, the Company entered into a consulting agreement to work with Palace Resorts to develop and open a casino at the Moon Palace Casino, Golf and Spa Resort, in Punta Cana on the easternmost tip of the Dominican Republic. Under the consulting agreement, Southwest immediately began assisting Palace Resorts in all phases of design, game selection, training and equipping the casino that will be part of the 1,700-room resort. Southwest received \$50,000 per month for 10 months, which began in October 2007.

Modification and extension of consulting agreement:

On June 25, 2008, the Company entered into a Modification and Extension of Consulting Agreement (the “Agreement”) with an affiliate of Palace Resorts, under which Southwest would have managed the casino at the Moon Palace Casino, Golf and Spa Resort in Punta Cana, Dominican Republic.

Under the new Agreement, Southwest would have continued to assist Palace Resorts in all phases of design, game selection, training and equipping the casino as a consultant and then manage the casino for five years after opening in early 2009. Southwest continued to receive a \$50,000 monthly consulting fee until the casino opened.

Effective April 30, 2009, the Company and Palace Resorts entered into a release agreement terminating the Modification and Extension of Consulting Agreement in exchange for the payment of \$100,000 by Palace Resorts to Southwest and the forgiveness of any amounts owed to Palace Resorts by Southwest.

During the three and six months ended June 30, 2009, the Company recognized consulting revenue of \$100,000 and \$250,000, respectively.

Casino operations

Gold Rush/Gold Digger's Casino ("GR/GD") Results

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Percentage Change Favorable (Unfavorable)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Percentage Change Favorable (Unfavorable)
Casino revenues	\$ 2,942,612	\$ 3,174,322	(7.3%)	\$ 5,855,145	\$ 6,253,467	6.4%
Total revenues	3,021,945	3,288,230	(8.1%)	6,005,711	6,477,901	7.3%
Income (loss) before income taxes+	198,577	191,236	3.8%	233,175	270,924	13.9%
Income (loss) margin*	7.7%	5.8%		3.9%	4.2%	

+ Loss before income taxes is determined by reducing total revenues by, among other things, interest expense on our capital lease at the Gold Rush and depreciation and amortization expenses. The capital lease is carried on our Consolidated Balance Sheet in the amount of approximately \$5.3 million as of June 30, 2010. Interest expense was approximately, \$131,000 and \$164,000 for the three months ended June 30, 2010 and 2009, respectively and approximately, \$262,000 and \$279,000 for the six months ended June 30, 2010 and 2009, respectively. Depreciation and amortization expense was approximately, \$274,000 and \$293,000 for the three months ended June 30, 2009 and 2008, respectively and approximately, \$553,000 and \$591,000 for the six months ended June 30, 2010 and 2009, respectively.

* The income (loss) margin is calculated by dividing income before income taxes by total revenues.

For the three months ended June 30, 2010, GR/GD's total casino revenues decreased 7.3%. The Cripple Creek market declined as well. We believe the poor economic environment, competition and smoking ban is reducing the number of visits that our players make to our casino as well as decreasing the overall customer base in general. Our operating margin has improved primarily as a result of reducing operating expenses in excess of reduced revenues.

For the six months ended June 30, 2010, GR/GD's total casino revenues decreased 6.4%. The Cripple Creek market declined as well. We believe the poor economic environment, competition and smoking ban is reducing the number of visits that our players make to our casino as well as decreasing the overall customer base in general.

We continue to analyze our customers' patronage patterns and will continue to take steps to mitigate the impact of the poor economic environment and competition.

On November 4, 2008, Colorado voters approved Amendment 50 to the State's Constitution. This amendment allowed voters in Cripple Creek, Colorado, where Southwest operates the Gold Rush Hotel &

Casino and Gold Digger's casino, to hold a referendum in which they could approve an increase in the casino betting limit from \$5 to \$100, allow casinos to offer craps and roulette, and allow casinos to remain open 24 hours per day (currently, all Colorado casinos must close between 2:00 a.m. and 8:00 a.m.) The City of Cripple Creek held a referendum in December 2008 and the voters 95% to 5% approved all aspects of Amendment 50. Because the voters approved this referendum, Gold Rush and Gold Digger's began allowing \$100 betting limits beginning on July 2, 2009 (the first day casinos may implement Amendment 50 changes), as well as changed our operating hours to 24 hours per day. We also added the new table games roulette and craps in the second half of 2009 although we stopped offering craps and roulette due to higher operating costs exceeding business levels.

Corporate expenses were \$101,927 and \$460,159 during the three months ended June 30, 2010 and 2009, respectively, a decrease of \$358,232. Corporate expenses were \$182,358 and \$1,052,376 during the six months ended June 30, 2010 and 2009, respectively, a decrease of \$870,018.

The decrease is primarily due to decreased salary and benefit expense, decreased public relations expenses and decreased legal and accounting.

Interest Expense was \$190,102 and \$189,907 for the three months ended June 30, 2010 and 2009, respectively, and was \$367,045 and \$409,840 for the six months ended June 30, 2010 and 2009, respectively.

Award Income of \$566,217 during the three months ended June 30, 2010 resulted from the arbitration case with the Cheyenne and Arapaho Tribes of Oklahoma which was finally resolved in May 2010, see Item 3 Note 6 to the interim financial statements for further discussion.

Other Income of \$182,782 during the three months ended June 30, 2009 included the receipt of \$192,500 from MTR Gaming related to a disproportionate contribution agreement entered into in July 2008 related to our prior investment in North Metro Harness Initiative, LLC.

Effective tax rate. For the three and six months ended June 30, 2010, we did not record tax expense as a result of utilizing net operating losses. For the three and six months ended June 30, 2009 we did not record a tax benefit as a result of our evaluation of deferred tax assets and our ability to utilize the deferred tax assets in the future. We continue to record a 100% valuation allowance against the deferred tax assets at June 30, 2010 due to significant accumulated deficit and prior losses despite our recent net gain in the three and six months ended June 30, 2010.our net losses. As of June 30, 2010 and December 31, 2009, our deferred tax asset is zero.

Liquidity and Capital Resources:

During 2010 and 2009 we generated cash flow from our casino operations in Colorado. We also generated cash flow from our consulting agreements in 2009. We use the cash flows generated to pay off debt in accordance with our agreements, fund reinvestment in our Colorado properties for both refurbishment and replacement of assets, and to pursue additional growth opportunities. We will need to raise additional debt or equity financing in 2010 in order to meet the requirements of our debt and long-term obligations or renegotiate the agreements, see "Overview" section above.

Net cash provided by operating activities during the six months ended June 30, 2010 and 2009 was \$390,535 and \$915,804, respectively. The decrease of approximately \$525,000 is due to changes in working capital offset partially by an improvement in our operating results.

Net cash used in investing activities for the six months ended June 30, 2010 and 2009 was \$12,443 and \$104,552, respectively. During 2010 we purchased less property plant and equipment than we had in 2009.

Net cash used in financing activities during the six months ended June 30, 2010 and 2009 was \$361,540 and \$517,409, respectively. The decrease in cash used for financing activities of \$155,869 is primarily due to reduced principal payments on debt of approximately \$103,000, see discussion above under “Overview” related to our Crown Bank debt and proceeds of \$37,000 from the issuance of common stock in January 2010.

Seasonality:

We believe that the operations of all casinos owned by us is affected by seasonal factors, including holidays, weather and travel conditions.

Item 5: Legal proceedings.

See Item 3 Notes 6, 17 and 18.

Item 6: Defaults upon senior securities.

See Item 3 Notes 8 and 11.

Item 7: Other information._None

Item 8: Exhibits._None

Item 9 Certifications

I, James B. Druck, certify that:

1. I have reviewed this quarterly disclosure statement of Southwest Casino Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of Southwest Casino Corporation as of June 30, 2010, and for the periods presented in this disclosure statement.
4. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements (included in Item 3), we are involved in a dispute with our landlord at the Gold Rush/Gold Diggers casinos, whereby the lessor attempted serving notice to us in August 2010, seeking to terminate the lease for lack of rent payments. This notice was ruled invalid; as such the lessor will need to serve a new notice. If lessor is successful we will need to cease operations at our two casinos and either relocate the business or sell assets and liquidate the bank debt. As a result of this dispute we have classified the capital lease obligations as a current liability, see Note 18 (included in Item 3). Additionally, the Company has amended its loan with Crown Bank and has incurred significant losses. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Date:

[Signature]

Chief Executive Officer

I, Thomas E. Fox, certify that:

1. I have reviewed this quarterly disclosure statement of Southwest Casino Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of Southwest Casino Corporation as of June 30, 2010, and for the periods presented in this disclosure statement.
4. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements (included in Item 3), we are involved in a dispute with our landlord at the Gold Rush/Gold Diggers casinos, whereby the lessor attempted serving notice to us in August 2010, seeking to terminate the lease for lack of rent payments. This notice was ruled invalid; as such the lessor will need to serve a new notice. If lessor is successful we will need to cease operations at our two casinos and either relocate the business or sell assets and liquidate the bank debt. As a result of this dispute we have classified the capital lease obligations as a current liability, see Note 18 (included in Item 3). Additionally, the Company has amended its loan with Crown Bank and has incurred significant losses. This condition raises substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Date:

[Signature]

Chief Financial Officer