



QUARTERLY REPORT
For the Fourth Quarter Ended March 31, 2005
(unaudited)



Balance Sheet

As at March 31, 2005 (unaudited)
(in thousands)

ASSETS

	<u>2005</u>	<u>2004</u>
Current		
Cash & Short-term Investments	\$ 14,088	\$ 14,770
Cash Restricted	2,193	5,113
Inventory, at cost	1,662	2,135
Prepays	809	1,285
	<u>18,752</u>	<u>23,303</u>
Long-term		
Cash - Casino Replacement Reserve	3,145	5,287
Deferred Charges	349	480
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	<u>112,118</u>	<u>123,142</u>
	<u>115,614</u>	<u>128,911</u>
	<u>\$134,366</u>	<u>\$152,214</u>

LIABILITIES

Current		
Accounts Payable	\$ 1,420	\$ 1,451
Deferred Lottery Revenue	404	358
Liabilities for Unclaimed Prizes	2,193	5,113
Capital Obligation - Current Portion	37,924	37,394
Due to Operators	8,250	11,462
Due to Atlantic Gaming Equipment Limited - Current Portion	16,473	14,808
Due to Nova Scotia Gaming Foundation	72	85
Due to Province of Nova Scotia	<u>31,954</u>	<u>23,493</u>
	<u>98,690</u>	<u>94,164</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	12,886	21,352
Capital Obligation	<u>14,218</u>	<u>28,116</u>
	<u>27,104</u>	<u>49,468</u>

EQUITY

Casino Capital Replacement Reserve	<u>8,572</u>	<u>8,582</u>
	<u>\$134,366</u>	<u>\$152,214</u>



Statement of Income and Payment to Province

For the Fourth Quarter Ended March 31, 2005 (unaudited)
(in thousands)

	2005								2004							
	LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			4 th Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			4 th Qtr	Year to date
Revenues	\$51,570	\$46,938	\$16,138	\$4,222	\$ -	\$ 52	\$118,920	\$495,379	\$56,377	\$46,420	\$16,352	\$ 4,984	\$ -	\$ 57	\$124,190	\$484,831
Expenses	<u>42,514</u>	<u>15,608</u>	<u>15,535</u>	<u>4,186</u>	<u>881</u>	<u>1,354</u>	<u>80,078</u>	<u>325,076</u>	<u>47,356</u>	<u>16,552</u>	<u>16,087</u>	<u>4,615</u>	<u>900</u>	<u>916</u>	<u>86,426</u>	<u>327,018</u>
Net Income	9,056	31,330	603	36	(881)	(1,302)	38,842	170,303	9,021	29,868	265	369	(900)	(859)	37,764	157,813
Win Tax	—	—	<u>2,912</u>	<u>771</u>	—	—	<u>3,683</u>	<u>16,999</u>	—	—	<u>2,967</u>	<u>912</u>	—	—	<u>3,879</u>	<u>17,257</u>
Payment to Province	<u>\$ 9,056</u>	<u>\$31,330</u>	<u>\$ 3,515</u>	<u>\$ 807</u>	<u>\$ (881)</u>	<u>\$(1,302)</u>	<u>\$ 42,525</u>	<u>\$187,302</u>	<u>\$ 9,021</u>	<u>\$29,868</u>	<u>\$ 3,232</u>	<u>\$ 1,281</u>	<u>\$(900)</u>	<u>\$(859)</u>	<u>\$ 41,643</u>	<u>\$175,070</u>

Statement of Retained Earnings

For the Fourth Quarter Ended March 31, 2005 (unaudited)
(in thousands)

	2005		2004	
	4 th QUARTER	YEAR TO DATE	4 th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ 131,461	\$ -	\$ 120,049	\$ -
Net Income	38,842	170,303	37,764	157,813
Net Income paid to Province	(170,303)	(170,303)	(157,813)	(157,813)
Retained earnings, end of period	\$ —	\$ —	\$ —	\$ —



Statement of Cash Flows

For the Fourth Quarter Ended March 31, 2005 (unaudited)
(in thousands)

	<u>2005</u>	<u>2004</u>
Operating		
Net Income	\$ 38,842	\$ 37,764
Allocation of income to Province	(38,842)	(37,764)
Amortization	5,028	4,685
Net changes in working capital	<u>(360)</u>	<u>1,288</u>
	<u>4,668</u>	<u>5,973</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(1,256)	(1,838)
Reduction of capital obligation	<u>(1,971)</u>	<u>(1,951)</u>
	<u>(3,227)</u>	<u>(3,789)</u>
Investing		
Purchases of capital assets	(2,381)	(2,016)
Increase in Casino Capital Replacement Reserve, net of cash	<u>203</u>	<u>801</u>
	<u>(2,178)</u>	<u>(1,215)</u>
Net increase in cash & cash equivalents	(737)	969
Cash, beginning of quarter	<u>14,825</u>	<u>13,801</u>
Cash, end of quarter	<u>\$14,088</u>	<u>\$14,770</u>



FINANCIAL HIGHLIGHTS

FOR THE FOURTH QUARTER ENDED MARCH 31, 2005 (unaudited)

In the fourth quarter, the total payment to the Province was \$42.5 million, which was \$0.8 million higher than the prior year due to strong results at the Halifax casino and within the video lottery business line.

The lottery business lines accounted for \$40.3 million of the payment to the Province, which was \$1.4 million higher than the previous year. The majority of the increase was due to reduced video lottery retailer commissions expense as a result of the new rates that came into effect in July 2004.

The Halifax casino payment to the Province was \$3.5 million, \$0.3 million higher than the previous year, primarily due to lower HST expense, the result of a rebate claim.

The Sydney casino payment to the Province was \$0.8 million, \$0.5 million lower than the previous year, due to a decline in revenues as a result of decreased visits and lower levels of play.

NSGC's involvement in strategic initiatives such as the Gaming Strategy resulted in an increase in "Other Expenses" in the fourth quarter compared to the prior year.

Win tax of \$3.7 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

In addition to corporate initiatives aimed at promoting responsible use of its products, the Nova Scotia Gaming Corporation also made financial contributions to assist in the treatment of and research about problem gambling. The funding to the Nova Scotia Gaming Foundation is lower in 2005 due to a reduction in the commission rates paid to VLT retailers commencing July 2004, the basis from which this funding is paid. The following highlights the responsible gaming contributions:

	Quarter ended March 31, 2005	Quarter ended March 31, 2004
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$103,300 <u>103,300</u> 206,600	\$116,000 <u>116,000</u> 232,000
Responsible Gaming Operations	424,400	418,000
Contribution to Office of Health Promotion	<u>250,000</u>	<u>250,000</u>
Total Contributions	<u>\$881,000</u>	<u>\$900,000</u>



OPERATIONAL HIGHLIGHTS

FOR THE FOURTH QUARTER ENDED MARCH 31, 2005 (unaudited)

The fourth quarter saw the completion of work on, *A Better Balance: Nova Scotia's First Gaming Strategy*. The strategy, which was released on April 6th, is a comprehensive five-year plan to initiate change in the gambling industry across Nova Scotia. Nova Scotia's, and in fact Canada's, first fully integrated gaming strategy focuses on enhanced treatment and prevention and is designed to reduce problem gambling in the province. The strategy focuses on increasing investment and key initiatives in problem gambling treatment and prevention. It also includes a planned reduction in the number of VLTs, a reduction in the hours for VLT operations, and machine modifications including removal of the "stop button" feature and slowing down the speed of play.

Also in the fourth quarter, work continued on a research project relating to a new responsible gaming device for use with VLTs. This device utilizes card-based technology and has the ability to provide new responsible gaming features to players. Stage 1 of the research began in March, with the devices installed in early April.

Other highlights during the quarter included the launch of a new \$7 "Special 7" national Scratch 'n Win ticket that offers players twenty chances for \$777,000 and forty prizes of \$77,000, along with millions of dollars in additional prizes. Also, the popular "Set for Life" Instant ticket launched in January and offers players a chance at one of three top prizes of \$1,000 a week

for 25 years. One of the three top prizes has already been awarded to a ticket holder from Albert Bridge, Nova Scotia. Other new product offerings launched during the quarter included the addition of NASCAR stock car racing to the Proline sports lottery.

During the fourth quarter, the casino hosted a number of concerts. Colin James appeared at the Halifax casino for two concerts on January 28th and 29th, while "The Nylons" held two concerts on February 25th and 26th. During March, "The Commitments" held two concerts at the Halifax casino on the 18th and 19th of the month.

In February, eighty (80) Texas Hold 'Em Poker enthusiasts from across Atlantic Canada gathered at the Halifax Casino for the first ever poker tournament of its kind in the region. The winner walked away with approximately \$17,000 plus an all expenses paid trip to Regina to compete in a national event. The tournament was also broadcast on EastLink television, also a first. Given the success of this event, the Casino is expected to host more tournaments in the coming year.



CERTIFICATION

FOR THE FOURTH QUARTER ENDED MARCH 31, 2005 (unaudited)

I have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the period covered by the Quarterly Report and conclude that such disclosure controls and procedures have been effective.

Marie T. Mullally, C.A.
President & CEO

Robert MacKinnon, C.A.
Director, Corporate Services