



responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended December 31, 2011

FINANCIAL HIGHLIGHTS

For the third quarter ended
December 31, 2011 (unaudited)

In the third quarter of 2011-12, the total Payment to Province was \$37.9 million, \$1.2 million lower than the same quarter in the previous year, due to decreased revenue in the Ticket Lottery and Video Lottery business lines, partially offset by a decrease in expenses at the Halifax casino.

The Video Lottery business line accounted for \$23.4 million of the Payment to Province, \$0.1 million lower than the previous year. This decrease is attributed to lower revenue due to the maturity of the product and a decreasing number of terminals in the field.

The Ticket Lottery business line accounted for \$10.9 million of the Payment to Province, \$0.9 million lower than the previous year. This decrease was a result of lower Lotto Max revenue in 2011-12 than the previous year.

Payment to Province from the Halifax casino was \$5.1 million, \$0.2 million higher than the previous year, due to lower expenses in the same quarter. Payment to Province from the Sydney casino was \$2.0 million, \$0.1 million lower than the previous year.

Win Tax of \$3.5 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.1 million lower than the same quarter of the previous year.

Contributions and expenditures of \$1.7 million were incurred in the third quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This was \$0.2 million greater than the previous year primarily due to timing of when initiatives occurred. The allocation of the \$1.7 million is as follows:

	Quarter ended December 31, 2011	Quarter ended December 31, 2010
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 66,000 <u>66,000</u> 132,000	\$ 69,000 <u>69,000</u> 138,000
Responsible Gambling/Prevention Programming Programs	584,000	371,000
Contribution to Department of Health and Wellness	<u>1,000,000</u>	<u>1,000,000</u>
Total Contributions	\$ <u>1,716,000</u>	\$ <u>1,509,000</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2011 (unaudited)

The third quarter brought an impressive list of exciting acts to the Halifax casino. Musical acts included Finger Eleven, Kool & the Gang, and April Wine. The lineup at the Schooner Showroom and the Compass Room also included Master Hypnotist Cyrus, the Turbine Fashion Show, a trip through World War era Canada with Sentimental Journey and a Halloween themed show with Elvira, Mistress of the Dark.

Both Casino Nova Scotia properties highlighted holiday themed programming in the third quarter. The Sydney casino hosted its extremely popular holiday dinner theatre. This year's production continued the great tradition of dinner theatre in the Ceilidh Room and built upon the tremendous success of previous years. The Halifax casino's holiday lineup included The Trailer Park Boys, John Gracie and Ha Ha Holidays. The Halifax casino also presented a spectacular New Year's Eve celebration with two shows by Sloan, and free entertainment from Big Fish, Bitter Sweet, Rouge Fatale and DJ Dollar.

The continued success of the *Support4Sport* program enabled NSGC to deliver a \$1.1 million payment to Sport Nova Scotia in the third quarter, for a year-to-date total of \$2.9 million.

Throughout the month of October, a special promotion was offered during Lotto 6/49 draws. For every Lotto 6/49 draw in the month, an additional prize of \$100,000 a year for life was also included. In December, Atlantic Lottery launched the new Sports Betting Platform on www.prolinestadium.com. The new platform offers several new games including PRO-LINE Fantasy, PRO-LINE Futures and PRO-LINE Stadium Bets as well as a new user forum for players to interact with each other. The new website was well

In the third quarter, several new Scratch'N Win tickets were launched including \$5 PRO-LINE, \$10 King of Clubs, \$5 Queen of Hearts, \$2 Jack of Spades and the \$20 Holiday Mega Pack.

Nova Scotia's tenth annual Responsible Gambling Awareness Week (RGAW) was held from October 2nd - 8th. The hallmark event of RGAW is the Responsible Gambling Conference hosted by NSGC. This year's conference was held on October 3rd and 4th and featured 17 speakers and presenters at 16 sessions. Other activities during the week included a Player Information Program, open houses at the Responsible Gambling Resource Centres in Halifax and Sydney, the post secondary education program *Know the Score*, and the high school drama *82%*.

In the third quarter, NSGC supported three events through the Community Casino Nights initiative: the Health Services Foundation of the South Shore in Bridgewater, the Antigonish Theatre Festival and the Yarmouth Historical Society. Year to date the initiative has helped raise \$79,000 for local charities at their Monte Carlo fundraisers. NSGC is committed to supporting a minimum of ten events in 2011-12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (unaudited)
(in thousands)

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 21,109	\$ 21,614
Cash – restricted	6,599	6,265
Trade and other receivables	771	1,022
Prepaid expenses	1,854	2,677
Inventories	<u>2,588</u>	<u>1,826</u>
	<u>32,921</u>	<u>33,404</u>
Non-current assets		
Property, plant and equipment	84,646	89,537
Cash – casino capital replacement reserve	456	285
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>85,103</u>	<u>89,823</u>
	<u>\$118,024</u>	<u>\$123,227</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 1	\$ 18
Trade and other payables	16,391	13,239
Deferred revenue and recovery	12,556	12,874
Liabilities for unclaimed prizes	6,599	6,265
Due to Atlantic Gaming Equipment Limited	5,935	7,738
Other liabilities	1,065	788
Due to Province of Nova Scotia	<u>60,563</u>	<u>65,458</u>
	<u>103,110</u>	<u>106,380</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	11,428	11,353
Investment in Atlantic Lottery Corporation Inc.	<u>8,282</u>	<u>11,722</u>
	<u>122,820</u>	<u>129,455</u>

EQUITY

Casino capital replacement reserve	8,734	9,029
IFRS transition adjustment	<u>(13,530)</u>	<u>(15,257)</u>
	<u>\$118,024</u>	<u>\$123,227</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the third quarter ended December 31 (unaudited)
(in thousands)

	2011								2010							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			3 rd Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			3 rd Qtr	Year to date
Revenues	\$55,116	\$33,838	\$14,505	\$5,224	\$ -	\$ -	\$108,683	\$322,192	\$55,818	\$35,235	\$14,714	\$5,466	\$ -	\$ -	\$111,233	\$333,794
Expenses	<u>44,251</u>	<u>10,449</u>	<u>11,941</u>	<u>4,130</u>	<u>584</u>	<u>644</u>	<u>71,999</u>	<u>215,897</u>	<u>44,011</u>	<u>11,782</u>	<u>12,442</u>	<u>4,315</u>	<u>371</u>	<u>780</u>	<u>73,701</u>	<u>224,097</u>
Net Income before Contributions	10,865	23,389	2,564	1,094	(584)	(644)	36,684	106,295	11,807	23,453	2,272	1,151	(371)	(780)	37,532	109,697
Contributions to Community Programs	—	—	—	—	<u>1,132</u>	<u>1,186</u>	<u>2,318</u>	<u>7,830</u>	—	—	—	—	<u>1,138</u>	<u>908</u>	<u>2,046</u>	<u>7,681</u>
Net Income	10,865	23,389	2,564	1,094	(1,716)	(1,830)	34,366	98,465	11,807	23,453	2,272	1,151	(1,509)	(1,688)	35,486	102,016
Win Tax	—	—	<u>2,568</u>	<u>941</u>	—	—	<u>3,509</u>	<u>11,533</u>	—	—	<u>2,631</u>	<u>994</u>	—	—	<u>3,625</u>	<u>11,711</u>
Payment to Province	<u>\$ 10,865</u>	<u>\$ 23,389</u>	<u>\$ 5,132</u>	<u>\$ 2,035</u>	<u>\$ (1,716)</u>	<u>\$ (1,830)</u>	<u>\$ 37,875</u>	<u>\$ 109,998</u>	<u>\$ 11,807</u>	<u>\$ 23,453</u>	<u>\$ 4,903</u>	<u>\$ 2,145</u>	<u>\$ (1,509)</u>	<u>\$ (1,688)</u>	<u>\$ 39,111</u>	<u>\$ 113,727</u>

Consolidated Statement of Retained Earnings

For the third quarter ended December 31 (unaudited)
(in thousands)

	2011		2010	
	3 rd QUARTER	YEAR TO DATE	3 rd QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	34,366	98,465	35,486	102,016
Net income paid to Province	<u>(34,366)</u>	<u>(98,465)</u>	<u>(35,486)</u>	<u>(102,016)</u>
Retained earnings, end of period	\$ —	\$ —	\$ —	\$ —

CONSOLIDATED STATEMENT OF CASH FLOWS

For the third quarter ended
December 31 (unaudited)
(in thousands)

	<u>2011</u>	<u>2010</u>
Operating		
Net income	\$ 34,366	\$ 35,486
Allocation of income to Province	(34,366)	(35,486)
Amortization	1,224	2,698
Decrease (increase) in IFRS adjustment	3	(372)
Net changes in working capital	<u>255</u>	<u>2,461</u>
	<u>1,482</u>	<u>4,787</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	(1,354)	(1,123)
Investing		
Purchases of capital assets	(844)	(2,542)
Change in investment of Atlantic Lottery Corporation Inc.	(1,172)	(2,410)
Increase in Casino Capital Replacement Reserve, net of cash	<u>2,460</u>	<u>1,015</u>
	<u>444</u>	<u>(3,937)</u>
Net increase (decrease) in cash & cash equivalents	572	(273)
Cash & cash equivalents, beginning of quarter	<u>20,537</u>	<u>21,887</u>
Cash & cash equivalents, end of quarter	\$ <u>21,109</u>	\$ <u>21,614</u>

CERTIFICATION

For the third quarter ended
December 31, 2011 (unaudited)

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the period covered by the Quarterly Report. Except as discussed in the following two paragraphs, we conclude that such disclosure controls and procedures are effective to ensure that the information required to be disclosed is accumulated and communicated to management, including the Acting President & Chief Executive Officer and the Corporate Controller.

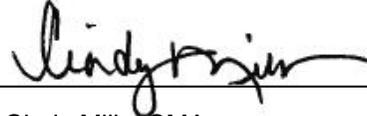
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney casinos and certain balances, including revenues, assets and liabilities associated with those businesses are included in the financial statements.

NSGC's evaluation did not include disclosure controls and procedures and internal controls over financial reporting performed by the Atlantic Lottery Corporation (ALC) and, therefore, is not intended to identify and report any deficiencies in internal control that might exist at ALC. NSGC has contracted ALC to operate the Video Lottery and Ticket Lottery businesses and the revenues, expenses, assets and liabilities associated with those businesses are included in the financial statements.

During the period beginning on October 1, 2011, and ended on December 31, 2011, NSGC did not make any changes in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.



Robert MacKinnon, CA
Acting President & CEO



Cindy Mills, CMA
Corporate Controller