



QUARTERLY REPORT
For the quarter ended March 31, 2007

**FINANCIAL
HIGHLIGHTS**
For the fourth quarter ended
March 31, 2007 (unaudited)

In the fourth quarter, the total Payment to Province was \$36.4 million, which is \$2.4 million lower than the prior year due to budgeted declines in Video Lottery (VL) and offset by favourable results from Ticket Lottery (TL) and the Casino business lines.

The VL business line accounted for \$21.4 million of the Payment to Province, which is \$4.8 million lower than the previous year. The reduction in revenue was expected and resulted from the implementation of the four VLT-related Gaming Strategy initiatives and the 100% Smoking Ban which took effect December 1, 2006.

The TL business line accounted for \$11.4 million of the Payment to Province, which is \$2.7 million higher than the previous year. This increase is primarily due to lower ticket and lease and depreciation expenses. Ticket costs are lower due mainly to volume discounts; lease and depreciation expenses are lower because of fully depreciated online terminals and computer hardware.

Payment to Province from the Halifax Casino was \$4.8 million, which is \$0.3 million higher than the previous year. Payment to Province from the Sydney Casino was \$2.1 million, \$0.1 million higher than the previous year. The improvement in results is attributable to favourable customer response to the Capital Improvement Plan, which saw the implementation of new slot machines, ticket-in/ticket-out technology, renovations to the gaming floor, and a shift in marketing programs targeting the social occasional gambler.

Responsible gambling expenditures of \$2.1 million were used to support responsible gambling and prevention programming initiatives launched and implemented during this period.

Win Tax of \$4.0 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 the responsible use of its products, the Nova Scotia Gaming Corporation (NSGC) made the following financial contributions to assist in the research and treatment of problem gambling, as well as in the delivery of prevention programs:

	Quarter ended March 31, 2007	Quarter ended March 31, 2006
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 74,450	\$ 87,400
<i>Nova Scotia Gaming Corp.</i>	<u>74,450</u>	<u>87,400</u>
	148,900	174,800
Responsible Gambling/Prevention Programming programs	918,900	828,900
Contribution to Department of Health Promotion and Protection	<u>1,067,000</u>	<u>1,000,000</u>
Total Contributions	<u>\$ 2,134,800</u>	<u>\$ 2,003,700</u>

OPERATIONAL
HIGHLIGHTS
For the fourth quarter ended
March 31, 2007 (unaudited)

At the Halifax Casino, the fourth quarter was highlighted by an exciting entertainment line-up. The Casino was proud to showcase the talent of east coast musicians as part of the East Coast Music Awards (ECMAs). Four CBC radio programs were recorded at the Casino during the ECMAs: Sounds Like Canada, Mainstreet, Definitely Not the Opera, and Atlantic Airways. On March 1st, The Harbourfront lounge opened at the Halifax Casino, offering live entertainment free of charge to Casino guests. The Schooner Showroom also offered a full entertainment line-up throughout the fourth quarter including, among others, Fight Night at the Casino, Stevie Wonder and Barbara Streisand tribute shows and Songwriters' Circle with Bruce Guthro. Casino Nova Scotia also continued to host No Limit Texas Hold'em poker tournaments in the fourth quarter. Two tournaments took place at the Halifax Casino including the "1st Anniversary Special" tournament in February and the "St. Paddies Day Lads and Lassies" tournament in March.

The Sydney Casino also featured an exciting live entertainment line-up in the fourth quarter with Fight Night in February and Songwriters' Circle in March. The Sydney Casino also played host to the "Winter Madness" No Limit Texas Hold'em poker tournament in February.

The fourth quarter of 2006-07 also saw the introduction of the new national online game *Millionaire Life* by Atlantic Lottery Corporation. This unique game was only offered for the month of February and featured a top prize of \$1 million per year for 25 years. In addition to the top prize, secondary prizes were awarded ranging from \$20 to \$1 million. Three Nova Scotians were among the winners of \$100,000 secondary prizes. The popularity of *Millionaire Life* was reflected in its strong sales.

The re-branding of Atlantic Lottery Corporation's ticket lottery kiosks continued this past quarter with the installation of a new WISHBOX kiosk in the New Glasgow Highland Square Mall. The Scotia Square Mall in Halifax will receive a new WISHBOX kiosk by summer 2007. In addition, new kiosks will be introduced at Wal-Mart stores in Truro, New Minas and Mumford Road, Halifax under the national "Good To Go" banner name in WISHBOX colors.

BALANCE SHEET
As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2007</u>	<u>2006</u>
Current		
Cash and Short-term Investments	\$ 7,357	\$ 10,852
Cash – restricted	1,815	2,636
Inventory, at cost	1,729	1,727
Prepays	<u>758</u>	<u>292</u>
	<u>11,659</u>	<u>15,507</u>
Long-term		
Cash – Casino Capital Replacement Reserve	-	1,453
Deferred charges	54	204
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>94,725</u>	<u>103,673</u>
	<u>94,781</u>	<u>105,332</u>
	<u>\$106,440</u>	<u>\$120,839</u>

LIABILITIES

Current		
Accounts payable	\$ 4,545	\$ 2,105
Deferred lottery revenue	244	486
Liabilities for unclaimed prizes	1,815	2,636
Capital obligation – current portion	11,261	15,544
Due to operators	5,049	5,681
Due to Atlantic Gaming Equipment Limited – current portion	5,378	12,515
Due to Nova Scotia Gaming Foundation	55	59
Due to Province of Nova Scotia	<u>53,910</u>	<u>42,870</u>
	<u>82,257</u>	<u>81,896</u>
Long-term		
Cash – Casino Capital Replacement Reserve	406	-
Due to Atlantic Gaming Equipment Limited	5,704	7,043
Capital obligation	<u>11,340</u>	<u>23,281</u>
	<u>17,450</u>	<u>30,324</u>
	<u>99,707</u>	<u>112,220</u>

EQUITY

Casino Capital Replacement Reserve	<u>6,733</u>	<u>8,619</u>
	<u>\$106,440</u>	<u>\$120,839</u>

Statement of Income and Payment to Province

For the Fourth Quarter Ended March 31 (unaudited)

(in thousands)

	2007								2006							
	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL		LOTTERIES		CASINOS		RESP. GAMBLING	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	\$51,895	\$33,572	\$16,192	\$ 5,303	\$ -	\$ 107	\$107,069	\$465,055	\$55,167	\$40,224	\$16,931	\$5,184	\$ -	\$ 79	\$117,585	\$488,852
Expenses	<u>40,487</u>	<u>12,155</u>	<u>14,417</u>	<u>4,130</u>	<u>919</u>	<u>966</u>	<u>73,074</u>	<u>313,957</u>	<u>46,462</u>	<u>14,007</u>	<u>15,401</u>	<u>4,084</u>	<u>829</u>	<u>681</u>	<u>81,464</u>	<u>326,005</u>
Net Income before Contributions	11,408	21,417	1,775	1,173	(919)	(859)	33,995	151,098	8,705	26,217	1,530	1,100	(829)	(602)	36,121	162,847
Community Programs Contributions	—	—	—	—	<u>1,215</u>	<u>308</u>	<u>1,523</u>	<u>6,656</u>	—	—	—	—	<u>1,174</u>	<u>3</u>	<u>1,177</u>	<u>5,796</u>
Net income	11,408	21,417	1,775	1,173	(2,134)	(1,167)	32,472	144,442	8,705	26,217	1,530	1,100	(2,003)	(605)	34,944	157,051
Win Tax	—	—	<u>3,010</u>	<u>956</u>	—	—	<u>3,966</u>	<u>17,881</u>	—	—	<u>2,974</u>	<u>928</u>	—	—	<u>3,902</u>	<u>17,077</u>
Payment to Province	<u>\$11,408</u>	<u>\$21,417</u>	<u>\$ 4,785</u>	<u>\$ 2,129</u>	<u>\$(2,134)</u>	<u>\$(1,167)</u>	<u>\$ 36,438</u>	<u>\$162,323</u>	<u>\$ 8,705</u>	<u>\$26,217</u>	<u>\$ 4,504</u>	<u>\$2,028</u>	<u>\$(2,003)</u>	<u>\$(605)</u>	<u>\$ 38,846</u>	<u>\$174,128</u>

Statement of Retained Earnings

For the Fourth Quarter Ended March 31 (unaudited)

(in thousands)

	2007		2006	
	4 th QUARTER	YEAR TO DATE	4 th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ 111,970	\$ -	\$ 122,107	\$ -
Net income	32,472	144,442	34,944	157,051
Net income paid to Province	<u>(144,442)</u>	<u>(144,442)</u>	<u>(157,051)</u>	<u>(157,051)</u>
Retained earnings, end of period	\$ —	\$ —	\$ —	\$ —

STATEMENT OF
CASH FLOW
For the fourth quarter ended
March 31 (unaudited)
(in thousands)

	<u>2007</u>	<u>2006</u>
Operating		
Net income	\$ 32,472	\$ 34,944
Allocation of income to Province	(32,472)	(34,944)
Amortization	8,581	9,240
Net changes in working capital	<u>242</u>	<u>(3,332)</u>
	<u>8,823</u>	<u>5,908</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(2,077)	(99)
Reduction of capital obligation	<u>(3,413)</u>	<u>(2,684)</u>
	<u>(5,490)</u>	<u>(2,783)</u>
Investing		
Purchases of capital assets	2,416	(12,566)
(Decrease) increase in Casino Capital Replacement Reserve, net of cash	<u>(3,881)</u>	<u>416</u>
	<u>(1,465)</u>	<u>(12,150)</u>
Net increase (decrease) in cash & cash equivalents	1,868	(9,025)
Cash, beginning of quarter	<u>5,489</u>	<u>19,877</u>
Cash, end of quarter	\$ <u>7,357</u>	\$ <u>10,852</u>

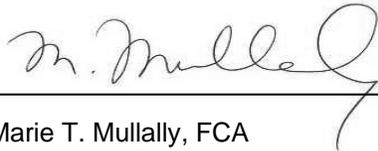
CERTIFICATION
For the fourth quarter ended
March 31, 2007 (unaudited)

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the year 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 President & Chief Executive Officer and the Vice President, Finance.

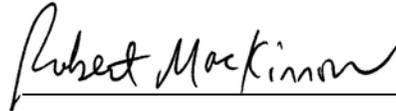
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues,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

During the period beginning on January 1, 2007 and ended on March 31, 2007, NSGC has not made 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



Marie T. Mullally, FCA
President & CEO



Robert MacKinnon, CA
Vice President, Finance