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QUARTERLY REPORT

For the quarter ended March 31, 2012

**FINANCIAL
HIGHLIGHTS**
For the fourth quarter ended
March 31, 2012 (unaudited)

In the fourth quarter of 2011-12, the total Payment to Province was \$42.8 million, \$11.7 million higher than the same quarter in the previous year, due to recognition of an HST recovery and lower expenses in the Video Lottery business line.

The Video Lottery business line accounted for \$23.0 million of the Payment to Province, \$0.7 million higher than the previous year. This increase is due to lower expenses in the quarter compared to the previous year.

The Ticket Lottery business line accounted for \$6.9 million of the Payment to Province, \$0.6 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 \$13.3 million, \$9.8 million higher than the previous year, due to recognition of an HST recovery related to casino assets. Payment to Province from the Sydney casino was \$3.4 million, \$1.8 million higher than the previous year, due to the recognition of the HST recovery.

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 higher than the same quarter of the previous year.

Contributions and expenditures of \$1.8 million were incurred in the fourth quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This was \$0.1 million greater than the previous year primarily due to timing of when initiatives occurred. The allocation of the \$1.8 million is as follows:

	Quarter ended March 31, 2012	Quarter ended March 31, 2011
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 62,000 <u>62,000</u> 124,000	\$ 63,350 <u>63,350</u> 126,700
Responsible Gambling/Prevention Programming Programs	645,000	547,000
Contribution to Department of Health and Wellness	<u>1,042,000</u>	<u>1,022,300</u>
Total Contributions	\$ <u>1,811,000</u>	\$ <u>1,696,000</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2012 (unaudited)

The fourth quarter brought an exciting list of acts to the Halifax casino. Musical acts included David Clayton Thomas, The Stampeders, Platinum Blonde, and Lighthouse. The quarter also featured comedian Rob Schneider and two events showcasing cast members from the popular British television show Coronation Street.

Nova Scotia introduced the *My-Play* system light enrolment option and a new responsible gambling message feature to its Video Lottery terminals (VLT) in the fourth quarter. The light enrolment option provides players with the opportunity to enrol without providing any personal information. The responsible gambling message feature allows players to access information about VLTs, the myths and facts about video lottery, and tips to keep their play responsible from the *My-Play* system device located on every VLT in Nova Scotia.

A new regional draw game, *ShaBam*, launched on January 23, 2012. *ShaBam* offers players a chance to instantly win twenty dollars when the ticket is purchased and up to \$15,000 in a daily draw.

The Second Chance program concluded with over 1.35 million tickets entered by Nova Scotians throughout the year. Prizes totaling \$0.5 million were won across Atlantic Canada through this program.

In the fourth quarter, NSGC supported four licensed Monte Carlo fundraisers through its Community Casino Nights program and raised more than \$30,000, increasing the total funds raised to more than \$109,000 in 2011-12. Events were held in Lower Sackville, Truro, New Glasgow and Bridgewater. At four of the larger events this year, surveys were completed; 97% of attendees rated NSGC's support of the event as an effective way to support the charitable sector and 95% of attendees agreed that charitable gaming is important to their local community's fundraising efforts.

NSGC held its annual Community Fundraising Seminars in Sydney and Dartmouth. The seminars were focused on Monte Carlo fundraisers and were attended by forty community volunteers, representing museums, Royal Canadian Legions, service clubs and other community organizations from across Nova Scotia. Surveys were completed by the attendees; 100% of attendees gave an excellent or good rating to the helpfulness of the information presented, 97% of attendees said they would recommend the seminar to another charity and 100% agreed that offering seminars is an effective way for NSGC to support the charitable sector.

In the fourth quarter, \$1.0 million was raised for *Support4Sport*, bringing the total funds raised to \$4.0 million in 2011-12. More than 370 funding allocations were made in 2011-12 to help coaches, athletes, officials and community sporting organizations throughout the province.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 7,655	\$ 22,680
Cash – restricted	6,317	5,214
Trade and other receivables	1,293	1,557
Prepaid expenses	2,987	1,010
Inventories	<u>2,296</u>	<u>2,134</u>
	<u>20,548</u>	<u>32,595</u>
Non-current assets		
Property, plant and equipment	80,233	81,320
Cash – casino capital replacement reserve	860	178
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>81,094</u>	<u>81,499</u>
	<u>\$101,642</u>	<u>\$114,094</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 711	\$ 498
Trade and other payables	16,894	12,026
Deferred revenue and recovery	986	13,232
Liabilities for unclaimed prizes	6,317	5,214
Due to Atlantic Gaming Equipment Limited	6,778	7,618
Other liabilities	1,231	815
Due to Province of Nova Scotia	<u>55,570</u>	<u>57,105</u>
	<u>88,487</u>	<u>96,508</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	9,715	8,484
Investment in Atlantic Lottery Corporation Inc.	<u>10,308</u>	<u>16,043</u>
	<u>108,510</u>	<u>121,035</u>

EQUITY

Casino capital replacement reserve	6,389	5,088
IFRS transition adjustment	<u>(13,257)</u>	<u>(12,029)</u>
	<u>\$101,642</u>	<u>\$114,094</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2012								2011							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	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	\$52,211	\$33,836	\$14,300	\$4,878	\$ -	\$ 104	\$105,329	\$427,522	\$53,085	\$33,748	\$13,875	\$4,900	\$ -	\$ 113	\$105,721	\$439,516
Expenses	<u>45,345</u>	<u>10,800</u>	<u>3,651</u>	<u>2,380</u>	<u>645</u>	<u>852</u>	<u>63,673</u>	<u>279,724</u>	<u>45,632</u>	<u>11,496</u>	<u>12,875</u>	<u>4,226</u>	<u>547</u>	<u>880</u>	<u>75,656</u>	<u>299,753</u>
Net Income before Contributions	6,866	23,036	10,649	2,498	(645)	(748)	41,656	147,798	7,453	22,252	1,000	674	(547)	(767)	30,065	139,763
Contributions to Community Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167</u>	<u>1,216</u>	<u>2,383</u>	<u>10,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,149</u>	<u>1,212</u>	<u>2,361</u>	<u>10,043</u>
Net Income	6,866	23,036	10,649	2,498	(1,812)	(1,964)	39,273	137,740	7,453	22,252	1,000	674	(1,696)	(1,979)	27,704	129,720
Win Tax	<u>-</u>	<u>-</u>	<u>2,611</u>	<u>917</u>	<u>-</u>	<u>-</u>	<u>3,528</u>	<u>15,061</u>	<u>-</u>	<u>-</u>	<u>2,482</u>	<u>915</u>	<u>-</u>	<u>-</u>	<u>3,397</u>	<u>15,108</u>
Payment to Province	<u>\$ 6,866</u>	<u>\$23,036</u>	<u>\$13,260</u>	<u>\$3,415</u>	<u>\$(1,812)</u>	<u>\$(1,964)</u>	<u>\$ 42,801</u>	<u>\$152,801</u>	<u>\$7,453</u>	<u>\$22,252</u>	<u>\$ 3,482</u>	<u>\$1,589</u>	<u>\$(1,696)</u>	<u>\$(1,979)</u>	<u>\$ 31,101</u>	<u>\$144,828</u>

Consolidated Statement of Retained Earnings

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2012		2011	
	4 th QUARTER	YEAR TO DATE	4 th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	39,273	137,740	27,704	129,720
Net income paid to Province	<u>(39,273)</u>	<u>(137,740)</u>	<u>(27,704)</u>	<u>(129,720)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the fourth quarter ended
March 31 (unaudited)
(in thousands)

	<u>2012</u>	<u>2011</u>
Operating		
Net income	\$ 39,273	\$ 27,704
Allocation of income to Province	(39,273)	(27,704)
Amortization	6,216	8,875
Decrease (increase) in IFRS adjustment	273	3,228
Net changes in working capital	<u>(17,257)</u>	<u>(7,877)</u>
	<u>(10,768)</u>	<u>4,226</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	<u>(870)</u>	<u>(2,989)</u>
Investing		
Purchases of capital assets	(1,804)	(658)
Change in investment of Atlantic Lottery Corporation Inc.	2,026	4,321
Increase in Casino Capital Replacement Reserve, net of cash	<u>(2,749)</u>	<u>(3,834)</u>
	<u>(2,527)</u>	<u>(171)</u>
Net increase (decrease) in cash & cash equivalents	(14,165)	1,066
Cash & cash equivalents, beginning of quarter	<u>21,109</u>	<u>21,614</u>
Cash & cash equivalents, end of quarter	\$ <u>6,944</u>	\$ <u>22,680</u>

CERTIFICATION

For the fourth quarter ended
March 31, 2012 (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 Director, Finance.

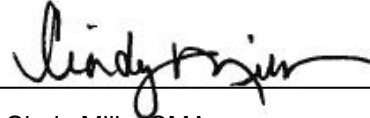
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney casinos and certain balances, including revenues, 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 January 1, 2012, and ended on March 31, 2012, 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
Director, Finance