



## QUARTERLY REPORT

For the quarter ended September 30, 2009

**FINANCIAL  
HIGHLIGHTS**  
For the second quarter ended  
September 30, 2009 (unaudited)

In the second quarter, the total Payment to Province was \$40.2 million, which is \$2.0 million lower than the prior year due to decreased results in the Ticket Lottery and Casino business lines.

The Video Lottery business line accounted for \$25.6 million of the Payment to Province, which is \$0.5 million higher than the previous year. The increase in Payment to Province in this business line is due to marginal growth with the introduction of new games.

The Ticket Lottery business line accounted for \$8.8 million of the Payment to Province, which is \$2.0 million lower than the previous year. This decrease is resulting from a decline in sales of Scratch'N Win products which are a mature suite of products, and increased expenses to provide marketing and launch support for new products such as Lotto Max.

Payment to Province from the Halifax Casino was \$6.4 million, which is \$0.2 million lower than the previous year. Payment to Province from the Sydney Casino was \$2.6 million, which is \$0.1 lower than the previous year. The decrease at the Casinos is due in part to economic conditions that are weaker than the prior year, which has resulted in a decline in visitation levels and therefore, resulting in decreased gaming revenue.

Win Tax of \$4.3 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$1.5 million were incurred in the second quarter, in support of responsible gambling, prevention programming initiatives, and research and treatment of problem gambling. The allocation of the \$1.5 million is as follows:

	Quarter ended September 30, 2009	Quarter ended September 30, 2008
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 82,450	\$ 83,300
<i>Nova Scotia Gaming Corp.</i>	<u>82,450</u>	<u>83,300</u>
	164,900	166,600
Responsible Gambling/Prevention Programming programs	482,600	404,600
Contribution to Department of Health Promotion and Protection	<u>900,000</u>	<u>900,000</u>
<b>Total Contributions</b>	<b>\$ <u>1,547,500</u></b>	<b>\$ <u>1,471,200</u></b>

## OPERATIONAL HIGHLIGHTS

For the second quarter ended  
September 30, 2009 (unaudited)

The launch of the enhanced Player's Club Program highlighted the second quarter at Casino Nova Scotia. On September 1<sup>st</sup> in Sydney and September 15<sup>th</sup> in Halifax, casino patrons were introduced to the new program that offers greater rewards and a clearer method of earning and redeeming points. Premier talent at the Halifax casino in the second quarter included performances in the Schooner Showroom by Carol Baker, Charlie A'Court, The Village People, Thunder from Down Under and Dave Gunning.

At the Sydney casino, weekend entertainment in the lounge continues to be very popular. This event series includes local acts as well as pay-per-view sporting events like Ultimate Fighting Championship. Also, the Sydney Casino played host to an outdoor concert as part of Bike Fest. This event drew over 4,000 people to the casino.

The continued success of the *Support4Sport* Program enabled NSGC to deliver a \$0.9 million payment to Sport Nova Scotia in the second quarter.

A new national jackpot game, Lotto Max, was launched on September 17<sup>th</sup> as a replacement to Lotto Super 7. Lotto Max is available at both retailers and on PlaySphere. Jackpots start at \$10.0 million and additional \$1.0 million prizes, called MAXMILLIONS, are added when the Lotto Max jackpot reaches \$50.0 million.

Nova Scotia announced it would withdraw from the Keno Ticket Lottery product as of October 22, 2009. This product had undergone a rigorous Social Responsibility Assessment and entailed changes to make the game more socially responsible. Keno sales were materially below budget and efforts to reverse this performance were considered to be very costly, with no certainty that the game would turn around. On that basis, it was concluded that the product should be discontinued.

NSGC continued with the field test of the Video Lottery Informed Player Choice System (IPCS) in the Sydney area. The results of the field test are currently being evaluated by NSGC to assist with province-wide implementation. IPCS is a card based player management system that provides video lottery players with tools and access to specific information about their gaming activity.

NSGC continued to demonstrate its commitment to communities and good causes. The *Tall Ships Nova Scotia Festival 2009* is a good example of how NSGC helps contribute to the economic and cultural fabric of communities throughout the Province through its *Support4Communities* program. NSGC continued to respond to Nova Scotians' desire to encourage amateur sport by supporting the *ICF 2009 Canoe Sprint World Championship* held on Lake Banook in Dartmouth on August 12<sup>th</sup>-16<sup>th</sup>.

In the second quarter, NSGC supported the Waverley Volunteer Fire Department through NSGC's Community Casino Nights Program which provides in-kind support, expertise, volunteer and other assistance to charitable organizations hosting licensed Monte Carlo fundraisers. To date, NSGC has helped volunteer organizations raise more than \$16,000 this year at such events across the Province.

**BALANCE SHEET**  
As at September 30 (unaudited)  
(in thousands)

*ASSETS*

	<b><u>2009</u></b>	<b><u>2008</u></b>
<b>Current</b>		
Cash and Short-term Investments	\$ 8,348	\$ 9,374
Cash – restricted	1,595	3,164
Inventory, at cost	1,666	1,878
Prepays	<u>118</u>	<u>299</u>
	<u>11,727</u>	<u>14,715</u>
<b>Long-term</b>		
Cash – Casino Capital Replacement Reserve	273	149
Deferred charges	11	1,964
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>96,005</u>	<u>91,601</u>
	<u>96,291</u>	<u>93,716</u>
	<u>\$108,018</u>	<u>\$108,431</u>

*LIABILITIES*

<b>Current</b>		
Accounts payable	\$ 4,037	\$ 2,710
Deferred lottery revenue	344	933
Liabilities for unclaimed prizes	1,595	3,164
Due to operators	1,290	4,935
Due to Atlantic Gaming Equipment Limited – current portion	13,644	5,929
Due to Nova Scotia Gaming Foundation	51	54
Due to Province of Nova Scotia	<u>70,175</u>	<u>75,707</u>
	<u>91,136</u>	<u>93,432</u>
<b>Long-term</b>		
Due to Atlantic Gaming Equipment Limited	<u>8,067</u>	<u>7,112</u>
	<u>99,203</u>	<u>100,544</u>

*EQUITY*

Casino Capital Replacement Reserve	<u>8,815</u>	<u>7,887</u>
	<u>\$108,018</u>	<u>\$108,431</u>

Statement of Income and Payment to Province  
For the second quarter ended September 30 (unaudited)  
(in thousands)

	2009								2008							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			2 <sup>nd</sup> Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			2 <sup>nd</sup> Qtr	Year to date
Revenues	\$48,111	\$36,904	\$17,019	\$6,376	\$ -	\$ -	\$108,410	\$217,968	\$48,888	\$36,442	\$18,397	\$6,792	\$ -	\$ 100	\$110,619	\$219,850
Expenses	<u>39,274</u>	<u>11,303</u>	<u>13,701</u>	<u>4,973</u>	<u>482</u>	<u>805</u>	<u>70,538</u>	<u>142,332</u>	<u>38,070</u>	<u>11,345</u>	<u>15,134</u>	<u>5,334</u>	<u>405</u>	<u>725</u>	<u>71,013</u>	<u>144,345</u>
Net Income before Contributions	8,837	25,601	3,318	1,403	(482)	(805)	37,872	75,636	10,818	25,097	3,263	1,458	(405)	(625)	39,606	75,505
Contributions to Community Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,065</u>	<u>900</u>	<u>1,965</u>	<u>4,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067</u>	<u>945</u>	<u>2,012</u>	<u>5,042</u>
Net Income	8,837	25,601	3,318	1,403	(1,547)	(1,705)	35,907	71,115	10,818	25,097	3,263	1,458	(1,472)	(1,570)	37,594	70,463
Win Tax	<u>-</u>	<u>-</u>	<u>3,097</u>	<u>1,174</u>	<u>-</u>	<u>-</u>	<u>4,271</u>	<u>8,188</u>	<u>-</u>	<u>-</u>	<u>3,336</u>	<u>1,236</u>	<u>-</u>	<u>-</u>	<u>4,572</u>	<u>8,723</u>
Payment to Province	<u>\$ 8,837</u>	<u>\$25,601</u>	<u>\$ 6,415</u>	<u>\$2,577</u>	<u>\$(1,547)</u>	<u>\$(1,705)</u>	<u>\$ 40,178</u>	<u>\$ 79,303</u>	<u>\$10,818</u>	<u>\$25,097</u>	<u>\$ 6,599</u>	<u>\$2,694</u>	<u>\$(1,472)</u>	<u>\$(1,570)</u>	<u>\$ 42,166</u>	<u>\$ 79,186</u>

Statement of Retained Earnings  
For the second quarter ended September 30 (unaudited)  
(in thousands)

	2009		2008	
	2 <sup>nd</sup> QUARTER	YEAR TO DATE	2 <sup>nd</sup> QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	35,907	71,115	37,594	70,463
Net income paid to Province	<u>(35,907)</u>	<u>(71,115)</u>	<u>(37,594)</u>	<u>(70,463)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

STATEMENT OF  
CASH FLOW  
For the second quarter ended  
September 30 (unaudited)  
(in thousands)

	<u>2009</u>	<u>2008</u>
<b>Operating</b>		
Net income	\$ 35,907	\$ 37,594
Allocation of income to Province	(35,907)	(37,594)
Amortization	1,937	2,285
Net changes in working capital	<u>(2,145)</u>	<u>3,714</u>
	<u>(208)</u>	<u>5,999</u>
<b>Financing</b>		
Increase in obligation to Atlantic Gaming Equipment Limited	137	370
Reduction of capital obligation	—	<u>(1,065)</u>
	<u>137</u>	<u>(695)</u>
<b>Investing</b>		
Purchases of capital assets	(1,696)	(2,409)
Increase in Casino Capital Replacement Reserve, net of cash	<u>2,334</u>	<u>1,800</u>
	<u>638</u>	<u>(609)</u>
Net increase in cash & cash equivalents	567	4,695
Cash, beginning of quarter	<u>7,781</u>	<u>4,679</u>
Cash, end of quarter	\$ <u>8,348</u>	\$ <u>9,374</u>

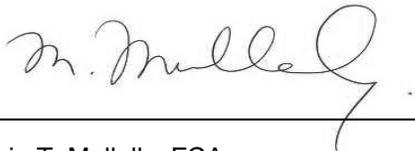
**CERTIFICATION**  
For the second quarter ended  
September 30, 2009 (unaudited)

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 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 July 1, 2009 and ended on September 30, 2009, 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