



QUARTERLY REPORT
For the quarter ended June 30, 2009

**FINANCIAL
HIGHLIGHTS**
For the first quarter ended
June 30, 2009 (unaudited)

In the first quarter, the total Payment to Province was \$39.1 million, which is \$2.2 million higher than the prior year due to improved results in the Ticket Lottery business line and timing differences in certain expenses.

The Video Lottery business line accounted for \$24.6 million of the Payment to Province, which is \$0.2 million lower than the previous year. This is due to higher lease and depreciation expense in 2009-10 as a result of new terminals introduced in the 2008-09 fiscal year.

The Ticket Lottery business line accounted for \$10.1 million of the Payment to Province, which is \$1.8 million higher than the previous year. This increase is due to increased profits from natural jackpot rolls in Lotto 6/49 and Super 7 in the first quarter of 2009-10 compared to the same quarter in the prior year.

Payment to Province from the Halifax casino was \$6.0 million, which is \$0.1 million higher than the previous year. The improvement in results for the Halifax casino was due to lower Harmonized Sales Tax expense in the current year as a result of repayment of long-term debt in 2008-09. Payment to Province from the Sydney casino was \$2.1 million, unchanged from the previous year.

Win Tax of \$3.9 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$1.9 million were incurred in the first quarter in support of responsible gambling and prevention programming initiatives and to assist in the research and treatment of problem gambling. The allocation of the \$1.9 million is as follows:

	Quarter ended June 30, 2009	Quarter ended June 30, 2008
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 93,150	\$ 92,100
<i>Nova Scotia Gaming Corp.</i>	<u>93,150</u>	<u>92,100</u>
	186,300	184,200
Responsible Gambling/Prevention Programming programs	517,000	415,200
Contribution to Department of Health Promotion and Protection	<u>1,200,000</u>	<u>1,162,700</u>
Total Contributions	<u>\$ 1,903,300</u>	<u>\$ 1,762,100</u>

New games were the highlight of the first quarter at the Halifax and Sydney casinos. Older models were replaced with 67 new slot machines introduced to the gaming floor with themes like Jaws, Wizard of Oz, Monopoly and Dirty Harry. These new games offered casino patrons a fresh play experience and added excitement to the gaming floor.

Premier talent continued to visit the Halifax casino in the first quarter. With performances that included David Wilcox, Bruce Hornsby, 'Whispering' Bill Anderson and ABBA MANIA, the Schooner Showroom is cementing its position as a premier entertainment venue in Atlantic Canada.

At the Sydney casino, weekend entertainment in the Ceilidh Room lounge continued to be very popular. This event series included local acts as well as pay-per-view sporting events like the Ultimate Fighting Championship.

The continued success of the *Support4Sport* Program enabled NSGC to deliver a \$0.9 million payment to Sport Nova Scotia in the first quarter of 2009-10.

A new edition of Set for Life was launched in the first quarter, offering players the opportunity to win four top prizes of \$1,000 per week for 25 years. In addition, a new \$1 Crossword Pick'n Click game was launched on PlaySphere.

In the first quarter, required hardware for the Video Lottery Informed Player Choice System (IPCS) was put in place in the Sydney area in preparation for a field test to commence the next quarter. IPCS is a system that provides players access to information and tools that can be used as part of their video lottery play. The system provides information on the amount of time they have played and the amount of money they have spent so they can make more informed decisions about their gaming activity.

On May 29, NSGC officially launched BetStopper at the We Love Our Children Expo in Halifax. BetStopper is a world leading content-blocking software designed by NSGC to help parents and caregivers prevent underage children from visiting gambling websites, and is offered free of charge to Nova Scotia families.

NSGC was the title sponsor for the NSGC Monte Carlo Night benefitting the Nova Scotia Hearing and Speech Foundation and helped the Cape Breton Regional Hospital Foundation in conjunction with the Sydney Rotary through NSGC's Community Casino Nights Program, raising more than \$50,000 and \$11,000 respectively for good causes serving Nova Scotians across the Province.

BALANCE SHEET
As at June 30 (unaudited)
(in thousands)

ASSETS

	<u>2009</u>	<u>2008</u>
Current		
Cash and Short-term Investments	\$ 7,781	\$ 4,679
Cash – restricted	1,977	3,650
Inventory, at cost	2,039	1,801
Prepays	<u>415</u>	<u>605</u>
	<u>12,212</u>	<u>10,735</u>
Long-term		
Cash – Casino Capital Replacement Reserve	1,313	830
Deferred charges	194	1,868
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>96,246</u>	<u>91,477</u>
	<u>97,755</u>	<u>94,177</u>
	<u>\$109,967</u>	<u>\$104,912</u>

LIABILITIES

Current		
Accounts payable	\$ 3,060	\$ 2,391
Deferred lottery revenue	665	456
Liabilities for unclaimed prizes	1,977	3,650
Capital obligation – current portion	-	1,065
Due to operators	3,409	7,689
Due to Atlantic Gaming Equipment Limited – current portion	13,948	6,818
Due to Nova Scotia Gaming Foundation	59	58
Due to Province of Nova Scotia	<u>71,702</u>	<u>70,164</u>
	<u>94,820</u>	<u>92,291</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	<u>7,626</u>	<u>5,853</u>
	<u>102,446</u>	<u>98,144</u>

EQUITY

Casino Capital Replacement Reserve	<u>7,521</u>	<u>6,768</u>
	<u>\$109,967</u>	<u>\$104,912</u>

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

	2009							2008						
	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1 st Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1 st Quarter and Year to date
Revenues	\$50,323	\$37,641	\$16,148	\$5,446	\$ -	\$ -	\$109,558	\$49,945	\$36,842	\$16,963	\$5,481	\$ -	\$ -	\$109,231
Expenses	<u>40,236</u>	<u>13,002</u>	<u>13,038</u>	<u>4,325</u>	<u>517</u>	<u>676</u>	<u>71,794</u>	<u>41,612</u>	<u>11,993</u>	<u>14,125</u>	<u>4,397</u>	<u>415</u>	<u>790</u>	<u>73,332</u>
Net Income before Contributions	10,087	24,639	3,110	1,121	(517)	(676)	37,764	8,333	24,849	2,838	1,084	(415)	(790)	35,899
Contributions to Community Programs	—	—	—	—	<u>1,386</u>	<u>1,170</u>	<u>2,556</u>	—	—	—	—	<u>1,347</u>	<u>1,683</u>	<u>3,030</u>
Net Income	10,087	24,639	3,110	1,121	(1,903)	(1,846)	35,208	8,333	24,849	2,838	1,084	(1,762)	(2,473)	32,869
Win Tax	—	—	<u>2,902</u>	<u>1,015</u>	—	—	<u>3,917</u>	—	—	<u>3,029</u>	<u>1,022</u>	—	—	<u>4,051</u>
Payment to Province	<u>\$10,087</u>	<u>\$24,639</u>	<u>\$ 6,012</u>	<u>\$2,136</u>	<u>\$(1,903)</u>	<u>\$(1,846)</u>	<u>\$ 39,125</u>	<u>\$8,333</u>	<u>\$24,849</u>	<u>\$ 5,867</u>	<u>\$2,106</u>	<u>\$(1,762)</u>	<u>\$(2,473)</u>	<u>\$ 36,920</u>

Statement of Retained Earnings
For the first quarter ended June 30 (unaudited)
(in thousands)

	2009	2008
	1 st QUARTER & YEAR TO DATE	1 st QUARTER & YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -
Net income	35,208	32,869
Net income paid to Province	<u>(35,208)</u>	<u>(32,869)</u>
Retained earnings, end of period	\$ —	\$ —

STATEMENT OF
CASH FLOW
For the first quarter ended
June 30 (unaudited)
(in thousands)

	<u>2009</u>	<u>2008</u>
Operating		
Net income	\$ 35,208	\$ 32,869
Allocation of income to Province	(35,208)	(32,869)
Amortization	1,989	1,876
Net changes in working capital	(480)	<u>1,059</u>
	<u>1,509</u>	<u>2,935</u>
Financing		
(Decrease) increase in obligation to Atlantic Gaming Equipment Limited	(2,780)	492
Reduction of capital obligation	—	<u>(5,793)</u>
	<u>(2,780)</u>	<u>(5,301)</u>
Investing		
Disposal (purchase) of capital assets	728	(2,149)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,044</u>	<u>1,400</u>
	<u>1,772</u>	<u>(749)</u>
Net increase (decrease) in cash & cash equivalents	501	(3,115)
Cash, beginning of quarter	<u>7,280</u>	<u>7,794</u>
Cash, end of quarter	\$ <u>7,781</u>	\$ <u>4,679</u>

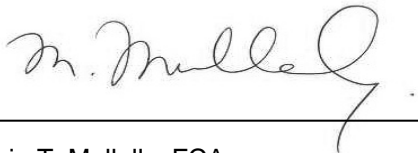
CERTIFICATION
For the first quarter ended
June 30, 2009 (unaudited)

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 Lottery 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 April 1, 2009 and ended on June 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