



QUARTERLY REPORT
For the Second Quarter Ended September 30, 2004
(unaudited)



Balance Sheet

As at September 30, 2004 (unaudited)
(in thousands)

ASSETS

	<u>2004</u>	<u>2003</u>
Current		
Cash & Short-term Investments	\$ 14,001	\$ 17,072
Cash – Restricted	3,054	5,852
Inventory, at cost	1,571	2,543
Prepays	433	390
	<u>19,059</u>	<u>25,857</u>
Long-term		
Cash – Casino Replacement Reserve	3,494	5,914
Deferred charges	424	554
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	120,625	130,671
	<u>124,545</u>	<u>137,141</u>
	<u>\$143,604</u>	<u>\$162,998</u>

LIABILITIES

Current		
Accounts Payable	\$ 1,594	\$ 1,281
Accounts Payable - Operators	6,092	11,128
Deferred Lottery Revenue	402	375
Liabilities for Unclaimed Prizes	3,054	5,852
Capital Obligation – Current Portion	36,488	34,331
Due to Atlantic Gaming Equipment Limited – Current Portion	14,870	14,477
Due to Nova Scotia Gaming Foundation	84	72
Due to Province of Nova Scotia	31,513	24,405
	<u>94,097</u>	<u>91,921</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	19,190	26,357
Capital Obligation	20,780	35,839
	<u>39,970</u>	<u>62,196</u>

EQUITY

Casino Capital Replacement Reserve	9,537	8,881
	<u>\$143,604</u>	<u>\$162,998</u>



Statement of Income and Payment to Province

For the Second Quarter Ended September 30, 2004 (unaudited)
(in thousands)

	2004								2003							
	LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	Halifax	Sydney			2 nd Qtr	Year to date	Ticket Lottery	Video Lottery	Halifax	Sydney			2 nd Qtr	Year to date
Revenues	\$50,080	\$51,543	\$21,477	\$6,338	\$ -	\$ 51	\$129,489	\$251,445	\$46,652	\$44,876	\$20,031	\$ 6,759	\$ -	\$ 66	\$118,384	\$235,605
Expenses	<u>40,282</u>	<u>17,688</u>	<u>18,158</u>	<u>5,197</u>	<u>856</u>	<u>597</u>	<u>82,778</u>	<u>164,860</u>	<u>38,046</u>	<u>16,241</u>	<u>17,794</u>	<u>5,243</u>	<u>678</u>	<u>442</u>	<u>78,444</u>	<u>157,866</u>
Net income	9,798	33,855	3,319	1,141	(856)	(546)	46,711	86,585	8,606	28,635	2,237	1,516	(678)	(376)	39,940	77,739
Win tax	<u>-</u>	<u>-</u>	<u>3,854</u>	<u>1,165</u>	<u>-</u>	<u>-</u>	<u>5,019</u>	<u>9,115</u>	<u>-</u>	<u>-</u>	<u>3,592</u>	<u>1,252</u>	<u>-</u>	<u>-</u>	<u>4,844</u>	<u>9,260</u>
Payment to Province	<u>\$ 9,798</u>	<u>\$33,855</u>	<u>\$ 7,173</u>	<u>\$2,306</u>	<u>\$ (856)</u>	<u>\$ (546)</u>	<u>\$ 51,730</u>	<u>\$ 95,700</u>	<u>\$ 8,606</u>	<u>\$28,635</u>	<u>\$ 5,829</u>	<u>\$ 2,768</u>	<u>\$ (678)</u>	<u>\$ (376)</u>	<u>\$ 44,784</u>	<u>\$ 86,999</u>

Statement of Retained Earnings

For the Second Quarter Ended September 30, 2004 (unaudited)
(in thousands)

	2004		2003	
	2 ND QUARTER	YEAR TO DATE	2 ND QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ 39,874	\$ -	\$ 37,799	\$ -
Net Income	46,711	86,585	39,940	77,739
Net Income paid to Province	<u>(86,585)</u>	<u>(86,585)</u>	<u>(77,739)</u>	<u>(77,739)</u>
Retained earnings, end of period	\$ _____	\$ _____	\$ _____	\$ _____



Statement of Cash Flows

For the Second Quarter Ended September 30, 2004 (unaudited)
(in thousands)

	<u>2004</u>	<u>2003</u>
Operating		
Net Income	\$ 46,661	\$ 39,940
Allocation of income to Province	(46,661)	(39,940)
Amortization	5,008	4,472
Net changes in working capital	<u>4,142</u>	<u>5,530</u>
	<u>9,150</u>	<u>10,002</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(2,594)	(1,621)
Reduction of capital obligation	<u>(5,368)</u>	<u>(4,151)</u>
	<u>(7,962)</u>	<u>(5,772)</u>
Investing		
Purchases of capital assets	(2,741)	(1,939)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,897</u>	<u>399</u>
	<u>(844)</u>	<u>(1,540)</u>
Net Increase in cash & cash equivalents	344	2,690
Cash, beginning of quarter	<u>13,657</u>	<u>14,382</u>
Cash, end of quarter	<u>\$14,001</u>	<u>\$17,072</u>



FINANCIAL HIGHLIGHTS

FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2004 (unaudited)

In the second quarter, the total payment to the Province was \$51.7 million, which was \$6.9 million higher than the prior year due to strong results at the Halifax casino and within the video lottery business line.

The lottery business lines accounted for \$43.7 million of the payment to the Province, which was \$6.5 million higher than the prior year. After a weak year in 2003-04, video lottery continued to perform well in the second quarter, primarily as a result of game software upgrades which were made late last year and will continue into 2004-05.

The Halifax casino payment to the Province was \$7.2 million, \$1.4 million higher than the prior year due to higher

revenues as a result of a strong tourist season, which included the Tall Ships and the Acadian National Congress. The payment was also higher due to lower costs. In particular, interest expense on the costs of the casino construction decrease as the balance to be repaid is reduced.

The Sydney casino payment to the Province was \$2.3 million, \$0.5 million lower than the prior year due to a decline in revenues.

Win tax of \$5.0 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 responsible use of its products, NSGC also made financial contributions to assist in the treatment and research of problem gambling. The following highlights the responsible gaming contributions:

	Quarter ended September 30, 2004	Quarter ended September 30, 2003
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$127,750 <u>127,750</u> 255,500	\$112,000 <u>112,000</u> 224,000
Responsible Gaming Operations	350,600	207,000
Contribution to Office of Health Promotion	<u>250,000</u>	<u>250,000</u>
Total Contributions	<u>\$856,100</u>	<u>\$681,000</u>



OPERATIONAL HIGHLIGHTS

FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2004 (unaudited)

One of the more significant operational highlights during the second quarter was the launch of ALC's PlaySphere in late August. The PlaySphere website allows ALC's ticket lottery players the opportunity to purchase tickets for draw (Lotto 6/49, Super 7, Atlantic 49 and Atlantic Payday) and sports lottery games (Proline and Over/Under) electronically. Interested players must set up an account, a process which includes a number of responsible gaming checks such as a weekly spending limit and proof of age. Players then fund their account and may purchase tickets for their favourite draw or sports game via ALC's website.

Other highlights during the quarter included the launch of Live It Up. This new \$4 Scratch 'n Win ticket offers 10 top prizes of \$100,000, 25 prizes of \$10,000, as well as one of ten resort getaways. Other new product offerings included the introduction of professional golf betting to Proline sports lottery.

The Payday Perks contest was launched during the second quarter and is being held in conjunction with ATV's Live at Five. It offers non-winning ticket holders the opportunity to enter a draw for a chance to win \$2,000 every two weeks for a year.

In video lottery, software upgrades on the PowerStation 1 terminals began in

early September. New games included in this upgrade are Swinging Seals and Goin' Nuts.

During the second quarter, the Halifax casino hosted several Atlantic Jazz Festival events. Other concerts at the casino included shows by Matt Minglewood and Doug and the Slugs in August and two concerts by Kim Mitchell in late September. Other events at the casino during the second quarter included a fall poker tournament.

Another item of note during the second quarter was the casino's partnership with Canjet airlines for a Fall Stay and Play promotion which included airfare from St. John's to Halifax.

Progress on a number of responsible gaming research initiatives was made during the second quarter. Of significant note is a new responsible gaming program targeted at video lottery players. The program, entitled Play By Play – a Responsible Gaming Program features four brochures and a poster developed after extensive qualitative testing with video lottery players. It is intended to provide players with facts and tips on how to manage the amount, time and money spent playing. The materials were released during Responsible Gaming Awareness Week in early October 2004.