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QUARTERLY REPORT

For the quarter ended June 30, 2012

FINANCIAL HIGHLIGHTS

For the first quarter ended
June 30, 2012 (unaudited)

In the first quarter of 2012-13, the total Payment to Province was \$33.4 million; \$1.9 million lower than the same quarter in the previous year due primarily to decreased performance in the Video Lottery business line.

The Video Lottery business line accounted for \$18.7 million of the Payment to Province, \$4.2 million lower than the previous year. This decrease was due to a reduction in revenue as a result of mandatory enrolment of the My-Play System becoming effective April 1, 2012, as per the 2011 Responsible Gaming Strategy.

The Ticket Lottery business line accounted for \$11.2 million of the Payment to Province, \$2.1 million higher than the same quarter in 2011-12. This increase was a result of higher Lotto Max revenue than the previous year due to a greater number of \$50 million-plus Maxmillion jackpot rolls compared to the prior year.

Payment to Province from the Halifax casino was \$5.3 million, \$0.4 million lower than the previous year due to lower revenue than in the first quarter of 2011-12. Payment to Province from the Sydney casino was \$2.0 million, comparable to the previous year.

Win Tax of \$3.6 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter. This was \$0.2 million less than the same quarter of the previous year.

Contributions and expenditures of \$1.8 million were incurred in the first quarter in support of responsible gambling and prevention programming initiatives, and research and treatment of problem gambling. This amount was comparable to the previous year. The allocation of the \$1.8 million is as follows:

	Quarter ended June 30, 2012	Quarter ended June 30, 2011
Gambling Awareness Nova Scotia <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 73,500 <u>73,500</u> 147,000	\$ 86,500 <u>86,500</u> 173,000
Responsible Gambling/Prevention Programming Programs	452,000	439,000
Contribution to Department of Health and Wellness	<u>1,200,000</u>	<u>1,200,000</u>
Total Contributions	\$ <u>1,799,000</u>	\$ <u>1,812,000</u>

OPERATIONAL HIGHLIGHTS

For the first quarter ended
June 30, 2012 (unaudited)

On April 1, 2012, enrolment in the My-Play System became mandatory in Nova Scotia. Players now have two options for enrolment: light enrolment, which allows players to enrol without providing any personal information; and, full enrolment, which requires personal information but allows players to retrieve their play information even if they lose their My-Play card. With both enrolment options players have access to play history, have the ability to set personal limits if they choose to do so, and can access information about video lottery play including tips to play responsibly. My-Play has no impact on VLT outcomes, and there is no personal information kept on the system. As of June 30th, there have been 6,088 full enrolments in the My-Play System.

The new regional draw game, GeoSweep, launched on May 16th and the first draw was held on June 7th. Instead of picking numbers, players pick their favourite places on a map of Atlantic Canada that is divided into squares called Geos. GeoSweep offers a daily jackpot of \$250,000, a guaranteed daily win of \$1,000 amongst those playing the game, plus runner-up prizes.

Nova Scotians entered nearly 250,000 non-winning Scratch'N Win tickets during the first quarter for an opportunity to win a portion of \$0.5 million in prize that is available in the 2nd Chance Program. Nova Scotia players won 20 prizes of \$1,000 each and another 46 won instant prizes of \$100 each.

The first quarter brought an exciting list of acts to the Halifax casino. Musical entertainment included Brian McKnight, Juice Newton, Dr. Hook, Survivor and Alan Doyle of Great Big Sea. Also in the first quarter, the Halifax casino hosted Atlantic Fashion Week, an event dedicated to supporting designers from both the local region and across Canada.

NSGC supported two licensed Monte Carlo fundraisers in the first quarter through its Community Casino Nights program, which helped to raise more than \$100,000 primarily due to the success of "Viva Las Vegas" in Sydney. The annual event in Sydney is in support of the Cape Breton Regional Hospital Foundation and was hosted at Centre 200 in partnership with Casino Nova Scotia.

Support4Sport continues to be the most significant source of funding for amateur sport in Nova Scotia and in the first quarter, \$0.9 million was raised for *Support4Sport* through the sale of designated lottery tickets.

Since the creation of *Support4Sport* in 2006, more than \$18.6 million has been raised. That money has been used to buy sports equipment, create and enhance recreation sports programming for all ages, support performance training programs for competitive athletes and hire coaches at all levels. Eight of Nova Scotia's eleven Olympians and all three of Nova Scotia's Paralympians competing in the 2012 London Olympics were directly supported by the *Support4Sport* Program.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30 (unaudited)
(in thousands)

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 11,052	\$ 22,059
Cash – restricted	6,506	6,162
Trade and other receivables	966	2,909
Prepaid expenses	3,465	3,793
Inventories	<u>2,316</u>	<u>1,758</u>
	<u>24,305</u>	<u>36,681</u>
Non-current assets		
Property, plant and equipment	79,087	82,085
Cash – casino capital replacement reserve	2,047	700
Investment in Interprovincial Lottery Corporation	<u>1</u>	<u>1</u>
	<u>81,135</u>	<u>82,786</u>
	<u>\$105,440</u>	<u>\$119,467</u>

LIABILITIES and EQUITY

Current liabilities		
Bank indebtedness	\$ 605	\$ 461
Trade and other payables	16,344	13,461
Deferred revenue and recovery	1,003	13,103
Liabilities for unclaimed prizes	6,506	6,162
Due to Atlantic Gaming Equipment Limited	1,458	3,112
Other liabilities	1,095	889
Due to Province of Nova Scotia	<u>58,429</u>	<u>63,997</u>
	<u>85,440</u>	<u>101,185</u>
Non-current liabilities		
Due to Atlantic Gaming Equipment Limited	13,705	14,476
Investment in Atlantic Lottery Corporation Inc.	<u>11,959</u>	<u>11,684</u>
	<u>111,104</u>	<u>127,345</u>
EQUITY		
Casino capital replacement reserve	7,591	6,279
Retained deficit	<u>(13,255)</u>	<u>(14,157)</u>
	<u>\$105,440</u>	<u>\$119,467</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first quarter ended June 30 (unaudited)
(in thousands)

	2012							2011						
	LOTTERIES		CASINOS		RG	OTHER	TOTAL	LOTTERIES		CASINOS		RG	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	\$53,947	\$29,820	\$14,689	\$5,221	\$ -	\$ -	\$103,677	\$50,500	\$35,314	\$15,338	\$5,415	\$ -	\$ -	\$106,567
Expenses	<u>42,790</u>	<u>11,144</u>	<u>12,053</u>	<u>4,143</u>	<u>452</u>	<u>753</u>	<u>71,335</u>	<u>41,434</u>	<u>12,404</u>	<u>12,415</u>	<u>4,383</u>	<u>439</u>	<u>559</u>	<u>71,634</u>
Net Income before Contributions	11,157	18,676	2,636	1,078	(452)	(753)	32,342	9,066	22,910	2,923	1,032	(439)	(559)	34,933
Contributions to Community Programs	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,347</u>	<u>1,194</u>	<u>2,541</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,373</u>	<u>2,013</u>	<u>3,386</u>
Net Income	11,157	18,676	2,636	1,078	(1,799)	(1,947)	29,801	9,066	22,910	2,923	1,032	(1,812)	(2,572)	31,547
Win Tax	<u>—</u>	<u>—</u>	<u>2,650</u>	<u>967</u>	<u>—</u>	<u>—</u>	<u>3,617</u>	<u>—</u>	<u>—</u>	<u>2,747</u>	<u>1,024</u>	<u>—</u>	<u>—</u>	<u>3,771</u>
Payment to Province	<u>\$11,157</u>	<u>\$18,676</u>	<u>\$ 5,286</u>	<u>\$2,045</u>	<u>\$(1,799)</u>	<u>\$(1,947)</u>	<u>\$ 33,418</u>	<u>\$9,066</u>	<u>\$22,910</u>	<u>\$ 5,670</u>	<u>\$2,056</u>	<u>\$(1,812)</u>	<u>\$(2,572)</u>	<u>\$ 35,318</u>

Consolidated Statement of Retained Earnings

For the first quarter ended June 30 (unaudited)
(in thousands)

	2012	2011
	1 st QUARTER & YEAR TO DATE	1 st QUARTER & YEAR TO DATE
Retained earnings, beginning of period	\$ (13,257)	\$ (12,029)
Change in investment in ALC	2	(2,128)
Net income	29,801	31,547
Net income paid to Province	<u>(29,801)</u>	<u>(31,547)</u>
Retained earnings, end of period	<u>\$ (13,255)</u>	<u>\$ (14,157)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the first quarter ended
June 30 (unaudited)
(in thousands)

	<u>2012</u>	<u>2011</u>
Operating		
Net income	\$ 29,801	\$ 31,547
Allocation of income to Province	(29,801)	(31,547)
Amortization	2,390	1,821
Net changes in working capital	<u>3,540</u>	<u>1,932</u>
	<u>5,930</u>	<u>3,753</u>
Financing		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	(1,330)	1,486
Investing		
Purchases of capital assets	(1,244)	(2,586)
Change in investment of Atlantic Lottery Corporation Inc.	132	(3,906)
Increase in Casino Capital Replacement Reserve, net of cash	<u>15</u>	<u>669</u>
	<u>(1,097)</u>	<u>(5,823)</u>
Net increase (decrease) in cash & cash equivalents	3,503	(584)
Cash & cash equivalents, beginning of quarter	<u>6,944</u>	<u>22,182</u>
Cash & cash equivalents, end of quarter	\$ <u>10,447</u>	\$ <u>21,598</u>