



QUARTERLY REPORT

For the quarter ended September 30, 2005

FINANCIAL HIGHLIGHTS

For the second quarter ended
September 30, 2005 (unaudited)

In the second quarter, the total Payment to Province was \$44.9 million, which was \$6.8 million lower than the prior year due to decreases in all business lines.

The lottery business lines accounted for \$39.5 million of the Payment to Province, which was \$4.1 million lower than the prior year. Video lottery income decreased by \$3.3 million as a result of the impact of Gaming Strategy initiatives that reduced the hours of operation by eliminating the midnight to close time slot and a reduction in the number of VLTs due to attrition. In addition, a delay in implementing a software change and a reduction in play volumes due to economic factors such as high gas prices were factors in the decline.

Ticket lottery income decreased by \$0.8 million due to lower revenues, particularly in some product categories such as online tickets (i.e. Lotto 6/49), which have not been appealing to customers in 2005-06 due to a low volume of high jackpots.

The Halifax Casino Payment to Province was \$5.4 million, \$1.8 million lower than the prior year due to lower slot and table game revenues resulting from lower visitation to the casino from tourists and locals. This reduction is due to a combination of economic factors such as high gas prices, a weakening US dollar, a series of natural disasters, and competition for the entertainment dollar.

The Sydney Casino Payment to Province was \$2.2 million, \$0.1 million lower than the prior year due to a decline in revenues, which stems from competition from First Nations.

Responsible Gambling expenditures increased by \$0.6 million over the prior year due to a \$0.8 million additional payment to Nova Scotia Health Promotion as outlined in the Gaming Strategy.

Win tax of \$4.8 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, research and prevention of problem gambling:

	Quarter ended September 30, 2005	Quarter ended September 30, 2004
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 72,250	\$127,750
<i>Nova Scotia Gaming Corp.</i>	<u>72,250</u>	<u>127,750</u>
	144,500	255,500
Responsible Gambling Operations	588,800	350,600
Contribution to Nova Scotia Health Promotion	<u>1,000,000</u>	<u>250,000</u>
Total Contributions	<u>\$1,733,300</u>	<u>\$856,100</u>

OPERATIONAL HIGHLIGHTS

For the second quarter ended
September 30, 2005 (unaudited)

The second quarter saw a number of Responsible Gambling and Operating initiatives completed. Stage I of the Responsible Gaming Device (RGD) Pilot in Windsor and Mount Uniacke wrapped up on June 30, 2005. The RGD uses a player card that is designed to encourage responsible gambling by allowing players to set their own spending limits and help them track play over time. The purpose of Stage I was to gather data from players and identify any potential system problems or issues. Stage I results were very positive with key outcomes being that players found the card/features easy to use and effective in promoting responsible play.

Stage II began August 1, 2005 and was completed at the end of September. The purpose of this stage was to evaluate and modify the findings of Stage I. This stage involved modifying the RGD from a technical perspective, completing an ethics review of the research project by problem gambling experts, developing outcome measures, revising the Stage III research strategy, and finalizing procedures to complete the enrollment process. The next stage, Stage III, begins in October 2005 and will run until the end of March 2006, with mandatory card usage for everyone wishing to play VLTs in Windsor and Mount Uniacke.

The Amended and Restated Casino Operating Contract between the Nova Scotia Gaming Corporation and Great Canadian Gaming Corporation became effective July 1, 2005. This new contract makes social responsibility a priority in both casinos and is a better financial deal for Nova Scotians.

At the end of September, Casino Nova Scotia (CNS) held a poker tournament for the East Coast Challenge – No Limit Texas Hold ‘Em. The Casino plans to hold similar events in the future. Currently, CNS has plans to provide an improved entertainment venue and refresh their table games and slot machines.

The VLT-related Gaming Strategy initiative to eliminate the midnight to close hours of operation took effect on July 1, 2005. As planned, the reduction of hours available for VLT play has resulted in a decline of VLT revenue. NSGC is monitoring this activity to determine if this reduction in revenue is due to a reduction in play from problem gamblers.

Software upgrades to the IGT terminals began in June 2005 and were completed as of August 2005. In addition, Atlantic Lottery Corporation (ALC) hosted the World’s Biggest Scratch n’ Win event on August 30, 2005. Contestants from all four Atlantic Provinces traveled to the event. A contestant from Kentville was the winner of the top prize of \$100,000. This was the second year in a row that ten Atlantic Canadians had an opportunity to scratch for a chance to win \$100,000.

BALANCE SHEET
As at September 30, 2005 (unaudited)
(in thousands)

ASSETS

	<u>2005</u>	<u>2004</u>
Current		
Cash & Short-term Investments	\$ 6,900	\$ 14,001
Cash – Restricted	1,722	3,054
Accounts Receivable – Operators	763	-
Inventory, at cost	1,378	1,571
Prepays	<u>311</u>	<u>433</u>
	<u>11,074</u>	<u>19,059</u>
Long-term		
Cash – Casino Replacement Reserve	4,561	3,494
Deferred charges	276	424
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital Assets	<u>104,720</u>	<u>120,625</u>
	<u>109,559</u>	<u>124,545</u>
	<u>\$120,633</u>	<u>\$143,604</u>

LIABILITIES

Current		
Accounts Payable	\$ 3,246	\$ 1,594
Accounts Payable - Operators	-	6,092
Deferred Lottery Revenue	395	402
Liabilities for Unclaimed Prizes	1,722	3,054
Capital Obligation – Current Portion	37,178	36,488
Due to Atlantic Gaming Equipment Limited – Current Portion	12,802	14,870
Due to Nova Scotia Gaming Foundation	72	84
Due to Province of Nova Scotia	<u>36,149</u>	<u>31,513</u>
	<u>91,564</u>	<u>94,097</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	10,997	19,190
Capital Obligation	<u>7,656</u>	<u>20,780</u>
	<u>18,653</u>	<u>39,970</u>
	<u>110,217</u>	<u>134,067</u>

EQUITY

Casino Capital Replacement Reserve	<u>10,416</u>	<u>9,537</u>
	<u>\$120,633</u>	<u>\$143,604</u>

Statement of Income and Payment to Province

For the Second Quarter Ended September 30, 2005 (unaudited)
(in thousands)

	2005								2004							
	LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL		LOTTERIES		CASINOS		RES. GAMING	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			2 nd Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			2 nd Qtr	Year to date
Revenues	\$46,565	\$47,084	\$20,326	\$5,926	\$ -	\$ 62	\$119,963	\$243,240	\$50,080	\$51,543	\$21,477	\$6,338	\$ -	\$ 51	\$129,489	\$251,445
Expenses	<u>37,584</u>	<u>16,516</u>	<u>18,635</u>	<u>4,790</u>	<u>1,484</u>	<u>787</u>	<u>79,796</u>	<u>163,346</u>	<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>
Net income	8,981	30,568	1,691	1,136	(1,484)	(725)	40,167	79,894	9,798	33,855	3,319	1,141	(856)	(546)	46,711	86,585
Win tax	—	—	<u>3,673</u>	<u>1,095</u>	—	—	<u>4,768</u>	<u>9,068</u>	—	—	<u>3,854</u>	<u>1,165</u>	—	—	<u>5,019</u>	<u>9,115</u>
Payment to Province	<u>\$ 8,981</u>	<u>\$30,568</u>	<u>\$ 5,364</u>	<u>\$2,231</u>	<u>\$(1,484)</u>	<u>\$(725)</u>	<u>\$ 44,935</u>	<u>\$ 88,962</u>	<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>

Statement of Retained Earnings

For the Second Quarter Ended September 30, 2005 (unaudited)
(in thousands)

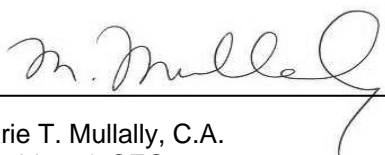
	2005		2004	
	2 ND QUARTER	YEAR TO DATE	2 ND QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ 39,727	\$ -	\$ 39,874	\$ -
Net Income	40,167	79,894	46,711	86,585
Net Income paid to Province	<u>(79,894)</u>	<u>(79,894)</u>	<u>(86,585)</u>	<u>(86,585)</u>
Retained earnings, end of period	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

STATEMENT OF
CASH FLOW
For the second quarter ended
September 30, 2005 (unaudited)
(in thousands)

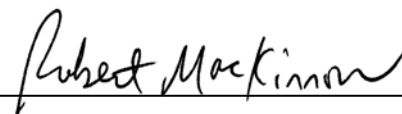
	<u>2005</u>	<u>2004</u>
Operating		
Net Income	\$ 40,167	\$ 46,661
Allocation of income to Province	(40,167)	(46,661)
Amortization	4,937	5,008
Net changes in working capital	<u>(6,335)</u>	<u>4,142</u>
	<u>(1,398)</u>	<u>9,150</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(3,594)	(2,594)
Reduction of capital obligation	<u>(3,961)</u>	<u>(5,368)</u>
	<u>(7,555)</u>	<u>(7,962)</u>
Investing		
Purchase of capital assets	(376)	(2,741)
Decrease in Casino Capital Replacement Reserve, net of cash	<u>188</u>	<u>1,897</u>
	<u>(188)</u>	<u>(844)</u>
Net increase (decrease) in cash & cash equivalents	(9,141)	344
Cash, beginning of quarter	<u>16,041</u>	<u>13,657</u>
Cash, end of quarter	<u>\$ 6,900</u>	<u>\$14,001</u>

CERTIFICATION
For the second quarter ended
September 30, 2005 (unaudited)

I have evaluated the effectiveness of NSGC's disclosure controls and procedures as of the end of the period covered by the Quarterly Report and conclude that such disclosure controls and procedures have been effective.



Marie T. Mullally, C.A.
President & CEO



Robert MacKinnon, C.A.
Director, Corporate Services