



NOVA SCOTIA
GAMING CORPORATION

responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended March 31, 2010

FINANCIAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2010 (unaudited)

In the fourth quarter, the total Payment to Province was \$24.9 million, which is \$3.9 million lower than the same quarter in the previous year. This is due to decreased results in the Ticket Lottery and Casino business lines.

The Video Lottery business line accounted for \$24.3 million of the Payment to Province, which is \$1.2 million higher than the previous year. This is due to decreased expenses including retailer commissions paid as commission rates were lower in the current year.

The Ticket Lottery business line accounted for \$4.0 million of the Payment to Province, which is \$4.2 million lower than the previous year. This decrease is primarily the result of a decline in sales of National Games due to fewer jackpot rolls compared to the same quarter in the previous year and an increase in prize expense.

Payment to Province from the Halifax casino was \$2.5 million, which is \$1.4 million lower than the previous year. This was due to a write-off of assets that were examined as part of NSGC's transition to International Financial Reporting Standards. Payment to Province from the Sydney casino was \$1.8 million, which is \$0.1 million lower than the previous year. This decrease is due to a decline in sales attributed in part to general economic weakness in the local economy in 2009-10.

Win Tax of \$3.6 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter and is essentially unchanged from the prior year.

Contributions and expenditures of \$2.0 million were incurred in the fourth quarter to fund responsible gambling and prevention programming initiatives and to support the research, education and treatment of problem gambling. The allocation of the \$2.0 million is as follows:

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 67,500	\$ 73,600
<i>Nova Scotia Gaming Corp.</i>	<u>67,500</u>	<u>73,600</u>
	135,000	147,200
Responsible Gambling/Prevention Programming Programs	889,000	944,000
Contribution to Department of Health Promotion and Protection	<u>1,003,000</u>	<u>1,019,000</u>
Total Contributions	\$ <u>2,027,000</u>	\$ <u>2,110,200</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2010 (unaudited)

The fourth quarter brought many exciting acts to the Halifax casino. In January, America visited the casino and played to a sold out audience. In February, Colin James, Doc Walker and State of Shock were featured. In March, Joe Rogan, Evans and Doherty, The B52s and April Wine rounded out an impressive lineup of shows.

Also in the fourth quarter, the gaming floor at the Halifax casino was completely reconfigured to create a more customer friendly layout, and to improve the fun and excitement for every casino visit.

The Sydney casino continued to present the popular Ultimate Fighting Championship pay-per-view events in the fourth quarter, with all three events attracting over 100 guests each.

As a result of user feedback and research with players and retailers, the name Video Lottery Informed Player Choice System was changed to the *My-Play* system. Activation of the system in sites outside of the field test area of Sydney started in March 2010, with full rollout across Nova Scotia expected to be complete by summer 2010.

The continued success of the *Support4Sport* Program enabled NSGC to deliver \$1.1 million in the fourth quarter to amateur sport in the Province.

Atlantic Lottery launched a new ticket, \$100 Million Fortune, in the fourth quarter. This is a new National Scratch'n Win ticket that offers players an opportunity to win \$100 million in prizes.

Also in the fourth quarter, NSGC launched its Ticket Lottery Retailer Responsible Gambling Training Program. By March 31, 58% of retailers had completed the training. Of the retailers surveyed, 93% indicated they are confident they will be able to apply the responsible gambling training they received and 95% said they will share the information with employees and customers.

During the fourth quarter, NSGC helped community organizations raise more than \$45,000 through the Community Casino Nights initiative. This initiative is part of the Charitable Sector Support Program, which helps community organizations improve their grassroots fundraising efforts. The Community Casino Night initiative supported the following communities and organizations in the fourth quarter: Amherst (Cumberland Early Intervention Program), Lower Sackville (Sackville Heights Community Centre & Beaver Bank Kinsac Community Centre Rebuild), Bridgewater (local Canadian Red Cross), Truro (local Canadian Red Cross) and New Glasgow (Pictou County Special Olympics).

BALANCE SHEET

As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2010</u>	<u>2009</u>
Current		
Cash and Short-term Investments	\$ 8,556	\$ 7,280
Cash – restricted	4,496	2,483
Inventory, at cost	1,497	1,666
Prepays	<u>3,304</u>	<u>1,236</u>
	<u>17,853</u>	<u>12,665</u>
Long-term		
Cash – Casino Capital Replacement Reserve	337	1,164
Deferred charges	18	693
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>90,901</u>	<u>98,963</u>
	<u>91,258</u>	<u>100,822</u>
	<u>\$109,111</u>	<u>\$113,487</u>

LIABILITIES

Current		
Accounts payable	\$ 2,639	\$ 2,216
Deferred lottery revenue	396	654
Liabilities for unclaimed prizes	4,496	2,483
Due to operators	10,232	9,000
Due to Atlantic Gaming Equipment Limited – current portion	9,681	7,837
Due to Nova Scotia Gaming Foundation	49	52
Due to Province of Nova Scotia	<u>65,232</u>	<u>68,400</u>
	<u>92,725</u>	<u>90,642</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	<u>11,105</u>	<u>16,517</u>
	<u>103,830</u>	<u>107,159</u>

EQUITY

Casino Capital Replacement Reserve	<u>5,281</u>	<u>6,328</u>
	<u>\$109,111</u>	<u>\$113,487</u>

Statement of Income and Payment to Province

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2010								2009							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			4 th Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			4 th Qtr	Year to date
Revenues	\$50,314	\$34,730	\$15,128	\$5,062	\$ -	\$ 25	\$105,259	\$431,325	\$52,197	\$36,475	\$15,077	\$5,275	\$ -	\$ 96	\$109,120	\$440,175
Expenses	<u>46,303</u>	<u>10,458</u>	<u>15,359</u>	<u>4,211</u>	<u>889</u>	<u>830</u>	<u>78,050</u>	<u>291,408</u>	<u>44,041</u>	<u>13,358</u>	<u>13,889</u>	<u>4,283</u>	<u>944</u>	<u>787</u>	<u>77,302</u>	<u>293,730</u>
Net Income before Contributions	4,011	24,272	(231)	851	(889)	(805)	27,209	139,917	8,156	23,117	1,188	992	(944)	(691)	31,818	146,445
Contributions to Community Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,138</u>	<u>1,150</u>	<u>2,288</u>	<u>9,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,166</u>	<u>1,806</u>	<u>2,972</u>	<u>9,909</u>
Net Income	4,011	24,272	(231)	851	(2,027)	(1,955)	24,921	130,193	8,156	23,117	1,188	992	(2,110)	(2,497)	28,846	136,536
Win Tax	<u>-</u>	<u>-</u>	<u>2,700</u>	<u>942</u>	<u>-</u>	<u>-</u>	<u>3,642</u>	<u>15,693</u>	<u>-</u>	<u>-</u>	<u>2,711</u>	<u>952</u>	<u>-</u>	<u>-</u>	<u>3,663</u>	<u>16,128</u>
Payment to Province	<u>\$ 4,011</u>	<u>\$24,272</u>	<u>\$ 2,469</u>	<u>\$1,793</u>	<u>\$(2,027)</u>	<u>\$(1,955)</u>	<u>\$ 28,563</u>	<u>\$145,886</u>	<u>\$ 8,156</u>	<u>\$23,117</u>	<u>\$ 3,899</u>	<u>\$1,944</u>	<u>\$(2,110)</u>	<u>\$(2,497)</u>	<u>\$ 32,509</u>	<u>\$152,664</u>

Statement of Retained Earnings

For the fourth quarter ended March 31 (unaudited)
(in thousands)

	2010		2009	
	4 th QUARTER	YEAR TO DATE	4 th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	24,921	130,193	28,846	136,536
Net income paid to Province	<u>(24,921)</u>	<u>(130,193)</u>	<u>(28,846)</u>	<u>(136,536)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

STATEMENT OF CASH FLOW

For the fourth quarter ended
March 31 (unaudited)
(in thousands)

	<u>2010</u>	<u>2009</u>
Operating		
Net income	\$ 24,921	\$ 28,846
Allocation of income to Province	(24,921)	(28,846)
Amortization	6,968	5,557
Loss on disposal of capital assets	4,876	1,134
Net changes in working capital	<u>67</u>	<u>(7,531)</u>
	<u>11,911</u>	<u>(840)</u>
Financing		
(Decrease)/increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,281)</u>	<u>6,872</u>
Investing		
Purchases of capital assets	(6,004)	(9,949)
Decrease in Casino Capital Replacement Reserve, net of cash	<u>(4,375)</u>	<u>(3,248)</u>
	<u>(10,379)</u>	<u>(13,197)</u>
Net increase/(decrease) in cash & cash equivalents	251	(7,165)
Cash, beginning of quarter	<u>8,305</u>	<u>14,445</u>
Cash, end of quarter	\$ <u>8,556</u>	\$ <u>7,280</u>

CERTIFICATION

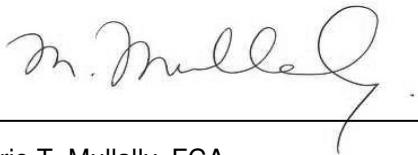
For the fourth quarter ended
March 31, 2010 (unaudited)

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.

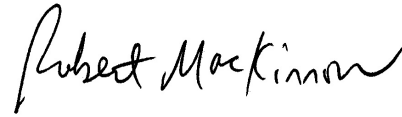
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues, 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 January 1, 2010 and ended on March 31, 2010, 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