



NOVA SCOTIA
GAMING CORPORATION

responsible • progressive • accountable

A large, decorative wave graphic in blue and yellow spans the bottom of the page, mirroring the design of the logo.

QUARTERLY REPORT

For the quarter ended December 31, 2007

**FINANCIAL
HIGHLIGHTS**
For the Third Quarter ended
December 31, 2007 (unaudited)

In the third quarter, the total Payment to Province was \$41.7 million, which is \$1.5 million lower than the prior year due to budgeted declines in Video Lottery (VL) and increased Community Contributions.

The VL business line accounted for \$24.3 million of the Payment to Province, which is \$0.9 million lower than the previous year. The reduction in Payment to Province is primarily due to the budgeted decline in revenue as a result of the complete Smoking Ban which came into effect December 1, 2006 and the reduction of VL terminals pursuant to the Gaming Strategy.

The Ticket Lottery (TL) business line accounted for \$13.0 million of the Payment to Province, which is \$0.1 million higher than the previous year. This increase is due to jackpot rolls from National Games such as Lotto 6/49 which occurred in the third quarter.

Payment to Province from the Halifax Casino was \$5.7 million, which is \$0.1 million lower than the previous year. Payment to Province from the Sydney Casino was \$2.1 million, the same as the previous year. Visitation to the Halifax Casino is down 9.8% from the previous year and the Halifax Casino is experiencing a budgeted decrease in revenue as a result of the complete Smoking Ban.

Win Tax of \$4.1 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$2.1 million were incurred in the third quarter, in support of responsible gambling and prevention programming initiatives, as well as to assist in the research and treatment of problem gambling. The allocation of the \$2.1 million is as follows:

	Quarter ended December 31, 2007	Quarter ended December 31, 2006
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 80,000	\$ 88,150
<i>Nova Scotia Gaming Corp.</i>	<u>80,000</u>	<u>88,150</u>
	160,000	176,300
Responsible Gambling/Prevention Programming programs	941,000	1,070,700
Contribution to Department of Health Promotion and Protection	<u>1,000,000</u>	<u>1,000,000</u>
Total Contributions	<u>\$ 2,101,000</u>	<u>\$ 2,247,000</u>

**OPERATIONAL
HIGHLIGHTS**
For the Third Quarter ended
December 31, 2007 (unaudited)

In the third quarter, NSGC demonstrated its commitment to social responsibility through a number of initiatives. The sixth annual Responsible Gambling Awareness Week (RGAW) was held from September 30th to October 6th. The primary goals of the week were to increase awareness about the importance of gambling responsibly and to contribute to and demonstrate NSGC's commitment to fostering informed player choice. RGAW included a two-day Responsible Gambling Conference, Community Consultation Sessions, and Interactive Community Education Displays among other events. As part of the commitment made in its Social Responsibility Charter to enhance social marketing effort, NSGC also launched the responsible gambling awareness program, "Know When", during RGAW.

NSGC's commitment to social responsibility was also evident in the third quarter as it offered Bingo Seminar sessions to help charity bingos improve their fundraising efforts. Over 200 charity representatives registered for the six sessions across Nova Scotia. Over 90% of participants rated the helpfulness of the information provided as good or excellent. In addition, 80% of those who also attended the previous year's session agreed that their participation has helped them to conduct better bingos.

On November 19th NSGC announced that Nova Scotia-based Techlink Entertainment Inc. was awarded the contract for an *Informed Player Choice System* (IPCS) for video lottery terminals (VLTs). This announcement followed two years of groundbreaking research on the impact of adding interactive responsible gaming features to VLTs. The IPCS will empower video lottery players with real-time, interactive and personalized information about their play and help them make more informed decisions. Development of the system and implementation across the province is expected to take approximately 18 months.

The Halifax Casino continued to host "No Limit Texas Hold'em" poker tournaments in the third quarter including the "Turkey Shoot" tournament in October, the "Sharks Only" tournament in November and the "Christmas" tournament in December. The Casino also offered a full entertainment line-up including performances by John Gracie, Sons of Maxwell and Kim Stockwood, in addition to the Songwriters Circle series. New Year's Eve festivities at the Casino featured Mike Cowie and the Big Night Out Band in the Schooner Showroom and fireworks at midnight.

The Sydney Casino hosted four poker tournaments in the third quarter including the "Ladies Only" tournament and "Sharks Only Satellite" tournament in October as well as the "Jack and Jill" tournament and a regular tournament in December. December also saw the return of the very popular Dinner Theatre at the Casino, in addition to performances by Blues Merchants at Centre 200 and Charlie A'Court on the Casino stage as part of the casino's New Year's Eve festivities.

BALANCE SHEET
As at December 31 (unaudited)
(in thousands)

ASSETS

	<u>2007</u>	<u>2006</u>
Current		
Cash and Short-term Investments	\$ 5,806	\$ 5,489
Cash – restricted	3,031	3,294
Inventory, at cost	1,805	1,782
Prepays	<u>1,186</u>	<u>776</u>
	<u>11,828</u>	<u>11,341</u>
Long-term		
Cash – Casino Capital Replacement Reserve	776	961
Deferred charges	25	100
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>96,580</u>	<u>105,722</u>
	<u>97,383</u>	<u>106,785</u>
	<u>\$109,211</u>	<u>\$118,126</u>

LIABILITIES

Current		
Accounts payable	\$ 2,955	\$ 1,518
Deferred lottery revenue	511	495
Liabilities for unclaimed prizes	3,031	3,294
Capital obligation – current portion	9,395	11,975
Due to operators	5,481	10,572
Due to Atlantic Gaming Equipment Limited – current portion	6,837	9,037
Due to Nova Scotia Gaming Foundation	50	50
Due to Province of Nova Scotia	<u>64,457</u>	<u>51,043</u>
	<u>92,717</u>	<u>87,984</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	5,658	4,122
Capital obligation	<u>0</u>	<u>14,039</u>
	<u>5,658</u>	<u>18,161</u>
	<u>98,375</u>	<u>106,145</u>

EQUITY

Casino Capital Replacement Reserve	<u>10,836</u>	<u>11,981</u>
	<u>\$109,211</u>	<u>\$118,126</u>

Statement of Income and Payment to Province

For the Third Quarter Ended December 31 (unaudited)
(in thousands)

	2007										2006													
	LOTTERIES		CASINOS			RESP. GAMBLING		OTHER			TOTAL		LOTTERIES		CASINOS			RESP. GAMBLING		OTHER			TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD	-	-	-	-	-	-	Year to date	3 rd Qtr	Ticket Lottery	Video Lottery	HFX	SYD	-	-	-	-	-	Year to date	3 rd Qtr	Year to date
Revenues	\$56,196	\$34,811	\$17,185	\$5,356	\$ -	\$ -	\$ 100			\$331,748	\$113,648	\$54,598	\$38,911	\$19,133	\$5,327	\$ -	\$ 140				\$357,990	\$118,109	\$357,990	
Expenses	43,166	10,503	14,550	4,175	941	873			222,970	74,208	41,698	13,659	16,841	4,118	1,071	699					240,882	78,086	240,882	
Net Income before Contributions	13,030	24,308	2,635	1,181	(941)	(773)			108,778	39,440	12,900	25,252	2,292	1,209	(1,071)	(559)					117,108	40,023	117,108	
Community Contributions	-	-	-	-	1,160	674			6,269	1,834	-	-	-	-	1,176	83					5,134	1,259	5,134	
Net Income	13,030	24,308	2,635	1,181	(2,101)	(1,447)			102,509	37,606	12,900	25,252	2,292	1,209	(2,247)	(642)					111,974	38,764	111,974	
Win Tax	-	-	3,103	956	-	-			13,140	4,059	-	-	3,501	940	-	-					13,915	4,441	13,915	
Payment to Province	\$ 13,030	\$ 24,308	\$ 5,738	\$ 2,137	\$ (2,101)	\$ (1,447)			\$ 115,649	\$ 41,665	\$ 12,900	\$ 25,252	\$ 5,793	\$ 2,149	\$ (2,247)	\$ (642)					\$ 125,889	\$ 43,205	\$ 125,889	

Statement of Retained Earnings

For the Third Quarter Ended December 31 (unaudited)
(in thousands)

	2007		2006	
	3 rd QUARTER	YEAR TO DATE	3 rd QUARTER	YEAR TO DATE
	Retained earnings, beginning of period	\$ -	\$ -	\$ -
Net income	37,606	102,509	38,764	111,974
Net income paid to Province	(37,606)	(102,509)	(38,764)	(111,974)
Retained earnings, end of period	\$ -	\$ -	\$ -	\$ -

STATEMENT OF CASH FLOW

For the Third Quarter ended
December 31, 2007 (unaudited)
(in thousands)

	<u>2007</u>	<u>2006</u>
Operating		
Net income	\$ 37,606	\$ 38,764
Allocation of income to Province	(37,606)	(38,764)
Amortization	2,191	3,489
Net changes in working capital	<u>3,123</u>	<u>2,540</u>
	<u>5,314</u>	<u>6,029</u>
Financing		
Increase/(decrease) in obligation to Atlantic Gaming Equipment Limited	3,857	(2,312)
Reduction of capital obligation	<u>(4,286)</u>	<u>(3,889)</u>
	<u>(429)</u>	<u>(6,201)</u>
Investing		
Purchases of capital assets	(6,184)	(1,104)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,627</u>	<u>1,238</u>
	(4,557)	134
Net increase/(decrease) in cash & cash equivalents	328	(38)
Cash, beginning of quarter	<u>5,478</u>	<u>5,527</u>
Cash, end of quarter	\$ <u>5,806</u>	\$ <u>5,489</u>

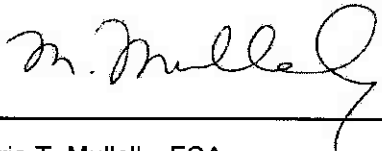
CERTIFICATION
For the Third Quarter ended
December 31, 2007 (unaudited)

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.

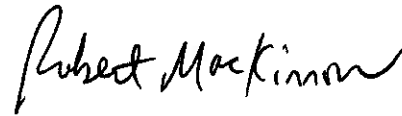
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues, 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 October 1, 2007 and ended on December 31, 2007, 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