



NOVA SCOTIA
GAMING CORPORATION
responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended December 31, 2008

FINANCIAL HIGHLIGHTS

For the third quarter ended
December 31, 2008 (unaudited)

In the third quarter, the total Payment to Province was \$41.1 million, which is \$0.6 million lower than the prior year primarily due to a decline in Ticket Lottery revenue.

The Video Lottery business line accounted for \$26.4 million of the Payment to Province, which is \$2.1 million higher than the previous year. The increase in Payment to Province is primarily due to increased revenue from the introduction of new terminals and the completion of the Asset Management Program.

The Ticket Lottery business line accounted for \$10.4 million of the Payment to Province, which is \$2.6 million lower than the previous year. This decrease is due to a decline in sales as a result of fewer jackpot rolls in National Games such as Lotto 6/49 and Super 7 this quarter, compared to the number that occurred in the same quarter in 2007.

Payment to Province from the Halifax Casino was \$5.7 million, which is the same as the previous year; this result was achieved primarily as a result of reduced expenses which offset a decline in revenue. Payment to Province from the Sydney Casino was \$2.2 million, which is \$0.1 million higher than the previous year due to an increase in slot revenue.

Win Tax of \$3.8 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, prevention programming initiatives, and research and treatment of problem gambling. The allocation of the \$2.1 million is as follows:

	Quarter ended December 31, 2008	Quarter ended December 31, 2007
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 78,500 <u>78,500</u> 157,000	\$ 80,000 <u>80,000</u> 160,000
Responsible Gambling/Prevention Programming programs	940,000	941,000
Contribution to Department of Health Promotion and Protection	<u>1,000,000</u>	<u>1,000,000</u>
Total Contributions	\$ <u>2,097,000</u>	\$ <u>2,101,000</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2008 (unaudited)

Entertainment was the focus at the Halifax Casino in the third quarter. Regis Philbin, Doc Walker, Burton Cummings, Suzie McNeil, Sophie Milman and others made appearances at the Schooner Showroom this fall. The Halifax Casino also brought back their popular 'Super Bowl' contest where the top prize was a trip for two to the Super Bowl in Tampa, Florida, in addition to their annual New Year's Eve event.

At the Sydney Casino a number of promotions were met with great success in the third quarter. The always popular 'Battle for Bucks' slots tournament returned and the 'Gas and Go' contest awarded a new car to one lucky contestant. The Sydney Casino also featured their annual holiday season dinner theatre which sold almost a third more tickets than the previous year.

In the third quarter, a new \$2 Scratch'n Win product, 'Texas Hold'em Poker' was added to the suite of *Support4Sport* products in Nova Scotia. The continued success of the 2008-09 *Support4Sport* Program enabled NSGC to deliver a \$0.5 million payment to Sport Nova Scotia in this quarter.

Development of the Informed Player Choice System (IPCS) continued in the third quarter of 2008-09. The IPCS, which is planned for launch in 2009-10, is designed to provide personalized information to VLT players about their play so that they can make informed choices. The third quarter also saw upgrades to the Power Station Five video lottery terminal. These upgrades included new monitors and a new game that will allow for a more enjoyable play experience.

NSGC's seventh annual Responsible Gambling Awareness Week (RGAW) was held October 5 to 11. RGAW featured a two-day industry conference, which welcomed over 270 attendees and speakers from across North America and the United Kingdom. During the week, NSGC's Interactive Community Education Display visited six communities, directly reaching 553 Nova Scotians with responsible gambling information.

NSGC's Community Sector Support Program offered Community Fundraising Seminars across Nova Scotia from November 19 – 26, 2008. The seminars took place at eight Nova Scotia Community College locations throughout Nova Scotia. Overall, more than 95% of the participants gave a good or excellent rating to the helpfulness of the information presented and the relevance to their charity. Of those who attended last year, more than 90% indicated the information they received helped improve their fundraising efforts over the past year.

In the third quarter, NSGC hosted visitors from the Australasian Gaming Council and Svenska Spel who were interested in learning more about Nova Scotia's world-class responsible gambling initiatives. NSGC also submitted an application to the World Lottery Association to become one of the first organizations in the world to be certified at their highest level of responsible gambling standards.

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

ASSETS

	<u>2008</u>	<u>2007</u>
Current		
Cash and Short-term Investments	\$ 14,445	\$ 5,806
Cash – restricted	3,340	3,031
Inventory, at cost	2,402	1,805
Prepays	<u>1,005</u>	<u>1,186</u>
	<u>21,192</u>	<u>11,828</u>
Long-term		
Cash – Casino Capital Replacement Reserve	307	776
Deferred charges	1,811	25
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>95,705</u>	<u>96,580</u>
	<u>97,825</u>	<u>97,383</u>
	<u>\$119,017</u>	<u>\$109,211</u>

LIABILITIES

Current		
Accounts payable	\$ 1,833	\$ 2,955
Deferred lottery revenue	404	511
Liabilities for unclaimed prizes	3,340	3,031
Capital obligation – current portion	-	9,395
Due to operators	7,234	5,481
Due to Atlantic Gaming Equipment Limited – current portion	7,802	6,837
Due to Nova Scotia Gaming Foundation	50	50
Due to Province of Nova Scotia	<u>79,955</u>	<u>64,457</u>
	<u>100,618</u>	<u>92,717</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	<u>9,680</u>	<u>5,658</u>
	<u>110,298</u>	<u>98,375</u>

EQUITY

Casino Capital Replacement Reserve	<u>8,719</u>	<u>10,836</u>
	<u>\$119,017</u>	<u>\$109,211</u>

Statement of Income and Payment to Province

For the third quarter ended December 31 (unaudited)
(in thousands)

	2008								2007							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			3 rd Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			3 rd Qtr	Year to date
Revenues	\$52,532	\$37,279	\$15,906	\$5,489	\$ -	\$ -	\$111,206	\$331,055	\$56,196	\$34,811	\$17,185	\$5,356	\$ -	\$ 100	\$113,648	\$331,748
Expenses	<u>42,173</u>	<u>10,866</u>	<u>13,102</u>	<u>4,245</u>	<u>940</u>	<u>758</u>	<u>72,084</u>	<u>216,428</u>	<u>43,166</u>	<u>10,503</u>	<u>14,550</u>	<u>4,175</u>	<u>941</u>	<u>873</u>	<u>74,208</u>	<u>222,970</u>
Net Income before Contributions	10,359	26,413	2,804	1,244	(940)	(758)	39,122	114,627	13,030	24,308	2,635	1,181	(941)	(773)	39,440	108,778
Community Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,157</u>	<u>737</u>	<u>1,894</u>	<u>6,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,160</u>	<u>674</u>	<u>1,834</u>	<u>6,269</u>
Net Income	10,359	26,413	2,804	1,244	(2,097)	(1,495)	37,228	107,691	13,030	24,308	2,635	1,181	(2,101)	(1,447)	37,606	102,509
Win Tax	<u>-</u>	<u>-</u>	<u>2,867</u>	<u>975</u>	<u>-</u>	<u>-</u>	<u>3,842</u>	<u>12,465</u>	<u>-</u>	<u>-</u>	<u>3,103</u>	<u>956</u>	<u>-</u>	<u>-</u>	<u>4,059</u>	<u>13,140</u>
Payment to Province	<u>\$10,359</u>	<u>\$26,413</u>	<u>\$ 5,671</u>	<u>\$2,219</u>	<u>\$(2,097)</u>	<u>\$(1,495)</u>	<u>\$ 41,070</u>	<u>\$120,155</u>	<u>\$ 13,030</u>	<u>\$24,308</u>	<u>\$ 5,738</u>	<u>\$2,137</u>	<u>\$(2,101)</u>	<u>\$(1,447)</u>	<u>\$ 41,665</u>	<u>\$ 115,649</u>

Statement of Retained Earnings

For the third quarter ended December 31 (unaudited)
(in thousands)

	2008		2007	
	3 rd QUARTER	YEAR TO DATE	3 rd QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	37,228	107,691	37,606	102,509
Net income paid to Province	<u>(37,228)</u>	<u>(107,691)</u>	<u>(37,606)</u>	<u>(102,509)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

STATEMENT OF CASH FLOW

For the third quarter ended
December 31 (unaudited)
(in thousands)

	<u>2008</u>	<u>2007</u>
Operating		
Net income	\$ 37,228	\$ 37,606
Allocation of income to Province	(37,228)	(37,606)
Amortization	1,866	2,191
Net changes in working capital	<u>4,060</u>	<u>3,123</u>
	<u>5,926</u>	<u>5,314</u>
Financing		
Increase in obligation to Atlantic Gaming Equipment Limited	4,441	3,857
Reduction of capital obligation	—	(4,286)
	<u>4,441</u>	<u>(429)</u>
Investing		
Purchases of capital assets	(5,970)	(6,184)
Increase in Casino Capital Replacement Reserve, net of cash	<u>674</u>	<u>1,627</u>
	(5,296)	(4,557)
Net increase in cash & cash equivalents	5,071	328
Cash, beginning of quarter	<u>9,374</u>	<u>5,478</u>
Cash, end of quarter	\$ <u>14,445</u>	\$ <u>5,806</u>

CERTIFICATION

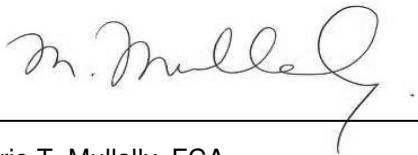
For the third quarter ended
December 31, 2008 (unaudited)

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.

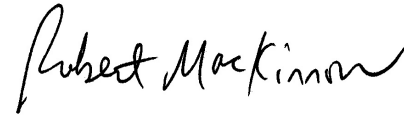
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues, 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, 2008 and ended on December 31, 2008, 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