



responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended March 31, 2008

FINANCIAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2008 (unaudited)

In the fourth quarter, the total Payment to Province was \$37.9 million, which is \$1.5 million higher than the prior year due to improved results in Video Lottery and Halifax casino offset by a decline in the results from the Ticket Lottery business line.

The Video Lottery business line accounted for \$24.0 million of the Payment to Province, which is \$2.6 million higher than the previous year. The increase is primarily due to the launch of new WinWave terminals which have proven popular among players.

The Ticket Lottery business line accounted for \$10.0 million of the Payment to Province, which is \$1.4 million lower than the previous year. This decrease is due to lower revenues because of declining interest in Scratch 'n Win and other lottery products, and costs incurred related to the Customer Confidence Program. Revenues were lower in all ticket revenue lines for the quarter.

Payment to Province from the Halifax casino was \$5.5 million, which is \$0.7 million higher than the previous year. Payment to Province from the Sydney casino was \$2.1 million, which is the same as the previous year. The improvement in results from the Halifax casino is attributable to a reduction in expenses. Harmonized Sales Tax (HST) expense was reduced due to a lower HST rate and interest expense was lower due to interest rates being lower than the previous year.

Responsible gambling expenditures of \$2.1 million were used to support responsible gambling and prevention programming initiatives launched and implemented during this period.

Win tax of \$3.8 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 the responsible use of its products, the Nova Scotia Gaming Corporation (NSGC) made the following financial contributions to assist in the research and treatment of problem gambling, as well as in the delivery of prevention programs:

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 78,900	\$ 74,450
<i>Nova Scotia Gaming Corp.</i>	<u>78,900</u>	<u>74,450</u>
	157,800	148,900
Responsible Gambling/Prevention Programming programs	982,000	918,900
Contribution to Department of Health Promotion and Protection	<u>1,000,000</u>	<u>1,067,000</u>
Total Contributions	<u>\$ 2,140,000</u>	<u>\$ 2,134,800</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2008 (unaudited)

NSGC grew the *Support4Sport* suite of lottery products this quarter with the introduction of the “Texas Hold’em” break-open ticket in January. The success of the *Support4Sport* program enabled NSGC to deliver a \$0.7 million payment to Sport Nova Scotia in the fourth quarter, and ultimately reach the 2007-08 contribution target of \$2.0 million to the *Support4Sport* Program.

In January, ticket lottery product offerings were enhanced on PlaySphere with the addition of two Pick ’n Click games: “3 Card Poker” and “Shoot Out”. Also in February, the popular game “Millionaire Life” was reintroduced, which offered players the ability to win \$1.0 million per year for 25 years.

The Asset Management Program was also introduced in the fourth quarter to more effectively align limited Video Lottery resources with demand and improved site standards. The site standards are aimed at improving customer service, adding greater transparency to terminal placement and further integrating social responsibility principles into Video Lottery decisions.

Poker tournaments highlighted the fourth quarter at the Halifax casino, including the “Kickoff 2008” tournament in January and the “Bad Beat Free Roll” in March. The Halifax casino also hosted the “Battle for Bucks” slot tournament in February and March. The casino offered an entertainment line-up featuring performances by Loverboy and The Irish Rovers, in addition to the Songwriters Circle series.

The Sydney casino also hosted a “Battle for Bucks” slot tournament in the fourth quarter. In addition to regularly scheduled poker tournaments, a “World Series of Poker” satellite tournament was held in March. The “Leap in N’ Win” promotion ran from January 1st to February 29th and gave away a 2008 Hyundai Elantra to one lucky winner.

NSGC continued its commitment to Social Responsibility in the fourth quarter by sponsoring *House of Cards*. This live drama alerts students to the potential risks of gambling and provides information about where to get help locally. The tour visited 18 schools and reached 4,870 Nova Scotia students in February 2008.

In the fourth quarter, NSGC continued to give back to Nova Scotia’s communities using its industry expertise, infrastructure and staff volunteer effort. Through the Community Casino Nights initiative (part of the Corporation’s Charitable Sector Support Program), NSGC helped seven charities raise over \$60,000 at six Monte Carlo events across the province. NSGC staff volunteered over 180 hours to help make the fundraisers a success.

BALANCE SHEET

As at March 31 (unaudited)
(in thousands)

ASSETS

	<u>2008</u>	<u>2007</u>
Current		
Cash and Short-term Investments	\$ 7,794	\$ 7,645
Cash – restricted	2,714	1,815
Inventory, at cost	1,490	1,729
Prepays	<u>617</u>	<u>758</u>
	<u>12,615</u>	<u>11,947</u>
Long-term		
Cash – Casino Capital Replacement Reserve	1,406	86
Deferred charges	21	54
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>91,204</u>	<u>94,564</u>
	<u>92,633</u>	<u>94,706</u>
	<u>\$105,248</u>	<u>\$106,653</u>

LIABILITIES

Current		
Accounts payable	\$ 2,810	\$ 3,126
Deferred lottery revenue	498	244
Liabilities for unclaimed prizes	2,714	1,815
Capital obligation – current portion	6,858	12,710
Due to operators	7,760	5,628
Due to Atlantic Gaming Equipment Limited – current portion	7,201	5,378
Due to Nova Scotia Gaming Foundation	55	55
Due to Province of Nova Scotia	<u>66,430</u>	<u>53,910</u>
	<u>94,326</u>	<u>82,866</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	4,978	5,714
Capital obligation	<u>-</u>	<u>11,340</u>
	<u>4,978</u>	<u>17,054</u>
	<u>99,304</u>	<u>99,920</u>

EQUITY

Casino Capital Replacement Reserve	<u>5,944</u>	<u>6,733</u>
	<u>\$105,248</u>	<u>\$106,653</u>

Statement of Income and Payment to Province

For the Fourth Quarter Ended March 31 (unaudited)
(in thousands)

	2008								2007							
	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL		LOTTERIES		CASINOS		RESP. GAMBLING	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	\$49,816	\$35,436	\$15,989	\$ 5,271	\$ -	\$ 165	\$106,677	\$438,424	\$51,895	\$33,572	\$16,192	\$5,303	\$ -	\$ 107	\$107,069	\$465,055
Expenses	39,785	11,394	13,395	4,102	982	958	70,616	293,585	40,487	12,155	14,417	4,130	919	966	73,074	313,957
Net income before Contributions	10,031	24,042	2,594	1,169	(982)	(793)	36,061	144,839	11,408	21,417	1,775	1,173	(919)	(859)	33,995	151,098
Community Programs Contributions	—	—	—	—	1,158	834	1,992	8,262	—	—	—	—	1,215	308	1,523	6,656
Net income	10,031	24,042	2,594	1,169	(2,140)	(1,627)	34,069	136,577	11,408	21,417	1,775	1,173	(2,134)	(1,167)	32,472	144,442
Win Tax	—	—	2,908	941	—	—	3,849	16,989	—	—	3,010	956	—	—	3,966	17,881
Payment to Province	\$10,031	\$24,042	\$5,502	\$ 2,110	\$(2,140)	\$(1,627)	\$ 37,918	\$153,566	\$ 11,408	\$21,417	\$ 4,785	\$2,129	\$(2,134)	\$(1,167)	\$ 36,438	\$162,323

Statement of Retained Earnings

For the Fourth Quarter Ended March 31 (unaudited)
(in thousands)

	2008		2007	
	4 th QUARTER	YEAR TO DATE	4 th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	34,069	136,577	32,472	144,442
Net income paid to Province	(34,069)	(136,577)	(32,472)	(144,442)
Retained earnings, end of period	\$ —	\$ —	\$ —	\$ —

STATEMENT OF CASH FLOW

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

	<u>2008</u>	<u>2007</u>
Operating		
Net income	\$ 34,069	\$ 32,472
Allocation of income to Province	(34,069)	(32,472)
Amortization	6,295	8,224
Net changes in working capital	<u>4,987</u>	<u>(598)</u>
	<u>11,282</u>	<u>7,626</u>
Financing		
Decrease in obligation to Atlantic Gaming Equipment Limited	(316)	(2,067)
Reduction of capital obligation	<u>(2,537)</u>	<u>(1,964)</u>
	<u>(2,853)</u>	<u>(4,031)</u>
Investing		
(Purchase) disposal of capital assets	(919)	2,934
Decrease in Casino Capital Replacement Reserve, net of cash	<u>(5,522)</u>	<u>(4,373)</u>
	<u>(6,441)</u>	<u>(1,439)</u>
Net increase in cash & cash equivalents	1,988	2,156
Cash, beginning of quarter	<u>5,806</u>	<u>5,489</u>
Cash, end of quarter	\$ <u>7,794</u>	\$ <u>7,645</u>

CERTIFICATION

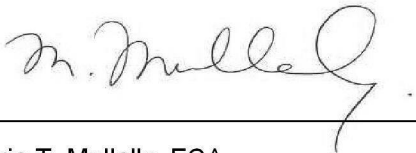
For the fourth quarter ended
March 31, 2008 (unaudited)

We have evaluated the effectiveness of Nova Scotia Gaming Corporation's disclosure controls and procedures as of the end of the year 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.

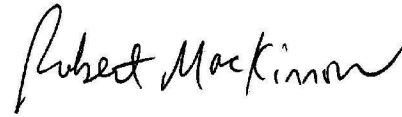
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues,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