



responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended June 30, 2008

**FINANCIAL
HIGHLIGHTS**
For the first quarter ended
June 30, 2008 (unaudited)

In the first quarter, the total Payment to Province was \$36.9 million, which is \$2.3 million higher than the prior year due to improved results in the Video Lottery business line.

The Video Lottery business line accounted for \$24.8 million of the Payment to Province, which is \$2.6 million higher than the previous year. This is due to increased revenue from the new WinWave terminals introduced in 2007-08, and the Asset Management Program, which saw video lottery terminals moved to sites that meet NSGC's new Retailer Policies which are aimed at improving customer service and further integrating social responsibility principles.

The Ticket Lottery business line accounted for \$8.3 million of the Payment to Province, which is \$0.4 million lower than the previous year. This decrease is due to lower revenues resulting from declining interest in Scratch'n Win and other lottery products.

Payment to Province from the Halifax casino was \$5.9 million, which is \$0.2 million higher than the previous year. The improvement in the results for the Halifax casino can be attributed to a decrease in expenses. Payment to Province from the Sydney casino was \$2.1 million, the same as the previous year.

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 \$1.8 million were incurred in the first quarter in support of responsible gambling and prevention programming initiatives and to assist in the research and treatment of problem gambling. The allocation of the \$1.8 million is as follows:

	Quarter ended June 30, 2008	Quarter ended June 30, 2007
Nova Scotia Gaming Foundation <i>Video Lottery Retailers</i> <i>Nova Scotia Gaming Corp.</i>	\$ 92,100 <u>92,100</u> 184,200	\$ 88,300 <u>88,300</u> 176,600
Responsible Gambling/Prevention Programming programs	415,200	370,600
Contribution to Department of Health Promotion and Protection	<u>1,162,700</u>	<u>1,155,000</u>
Total Contributions	<u>\$ 1,762,100</u>	<u>\$ 1,702,200</u>

OPERATIONAL HIGHLIGHTS

For the first quarter ended
June 30, 2008 (unaudited)

In the first quarter, NSGC grew the *Support 4 Sport* suite of lottery products with the introduction of the \$3 Crossword Deluxe Scratch'n Win ticket launched on May 22nd. The success of the *Support 4 Sport* Program enabled NSGC to deliver a \$0.5 million payment to Sport Nova Scotia in the first quarter. These funds are used to support amateur sport across the province.

In April, NSGC enhanced the Ticket Lottery product offerings with the introduction of Salsa Bingo, a new regional game that incorporates the fun of bingo and growing jackpots into a daily draw game. In addition, NSGC and ALC launched new Scratch'n Win tickets as part of the rejuvenation of this product category, enhancing the chance to win for players by increasing the total amount and the number of prizes paid out.

NSGC also implemented the Asset Management Program for Video Lottery in the first 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. At the end of the first quarter, 196 of the targeted 200 VLTs were redistributed.

Big name entertainment highlighted the first quarter at the Halifax casino. The \$250,000 Bob Eubanks' Game Show Spectacular kicked-off the month of April and Bill Cosby followed with two sold out shows in May. Howie Mandel and the Thunder From Down Under continued the great entertainment in June. The first quarter also saw Tony Quinn open his weekly performance in the Harbourfront Lounge and pianist Steve Dooks and Atlantic Cirque providing regular entertainment on the gaming floor.

The Battle for Bucks slot tournament anchored the Sydney casino's promotions line-up in the first quarter. The first of three qualifying rounds for the Tournament of Champions Texas Hold'em tournament was held in June, with the next two rounds coming in July and September. A Mother's and Father's Day promotion rounded out an exciting first quarter in Sydney.

NSGC continued its leadership role in the community and strengthened its commitment to social responsibility. NSGC's Community Sector Support Program (CSSP) assisted two charity Monte Carlo events in Halifax. NSGC continued its commitment to social responsibility by completing 76 Social Responsibility Assessments, a 73 per cent increase over the first quarter of 2007. The ReThink Program, encouraging staff to monitor energy consumption in the workplace and at home, was also launched in the quarter.

BALANCE SHEET

As at June 30 (unaudited)
(in thousands)

ASSETS

	<u>2008</u>	<u>2007</u>
Current		
Cash and Short-term Investments	\$ 4,679	\$ 4,862
Cash – restricted	3,650	2,797
Inventory, at cost	1,801	1,670
Prepays	<u>605</u>	<u>961</u>
	<u>10,735</u>	<u>10,290</u>
Long-term		
Cash – Casino Capital Replacement Reserve	830	963
Deferred charges	1,868	17
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>91,477</u>	<u>93,654</u>
	<u>94,177</u>	<u>94,636</u>
	<u>\$104,912</u>	<u>\$104,926</u>

LIABILITIES

Current		
Accounts payable	\$ 2,391	\$ 2,814
Deferred lottery revenue	456	203
Liabilities for unclaimed prizes	3,650	2,797
Capital obligation – current portion	1,065	10,800
Due to operators	7,689	8,743
Due to Atlantic Gaming Equipment Limited – current portion	6,818	7,963
Due to Nova Scotia Gaming Foundation	58	58
Due to Province of Nova Scotia	<u>70,164</u>	<u>53,699</u>
	<u>92,291</u>	<u>87,077</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	5,853	1,984
Capital obligation	<u>0</u>	<u>7,762</u>
	<u>5,853</u>	<u>9,746</u>
	<u>98,144</u>	<u>96,823</u>

EQUITY

Casino Capital Replacement Reserve	<u>6,768</u>	<u>8,103</u>
	<u>\$104,912</u>	<u>\$104,926</u>

Statement of Income and Payment to Province

For the First Quarter Ended June 30 (unaudited)
(in thousands)

	2008							2007						
	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL	LOTTERIES		CASINOS		RESP. GAMBLING	OTHER	TOTAL
	Ticket Lottery	Video Lottery	HFX	SYD			1 st Quarter and Year to date	Ticket Lottery	Video Lottery	HFX	SYD			1 st Quarter and Year to date
Revenues	\$49,945	\$36,842	\$16,963	\$5,481	\$ -	\$ -	\$109,231	\$52,149	\$35,351	\$17,519	\$5,411	\$ -	\$ -	\$110,430
Expenses	<u>41,612</u>	<u>11,993</u>	<u>14,125</u>	<u>4,397</u>	<u>415</u>	<u>790</u>	<u>73,332</u>	<u>43,489</u>	<u>13,128</u>	<u>14,958</u>	<u>4,337</u>	<u>371</u>	<u>923</u>	<u>77,206</u>
Net Income before Contributions	8,333	24,849	2,838	1,084	(415)	(790)	35,899	8,660	22,223	2,561	1,074	(371)	(923)	33,224
Contributions to Community Programs	—	—	—	—	<u>1,347</u>	<u>1,683</u>	<u>3,030</u>	—	—	—	—	<u>1,331</u>	<u>1,464</u>	<u>2,795</u>
Net income	8,333	24,849	2,838	1,084	(1,762)	(2,473)	32,869	8,660	22,223	2,561	1,074	(1,702)	(2,387)	30,429
Win Tax	—	—	<u>3,029</u>	<u>1,022</u>	—	—	<u>4,051</u>	—	—	<u>3,150</u>	<u>997</u>	—	—	<u>4,147</u>
Payment to Province	\$ <u>8,333</u>	\$ <u>24,849</u>	\$ <u>5,867</u>	\$ <u>2,106</u>	\$ <u>(1,762)</u>	\$ <u>(2,473)</u>	\$ <u>36,920</u>	\$ <u>8,660</u>	\$ <u>22,223</u>	\$ <u>5,711</u>	\$ <u>2,071</u>	\$ <u>(1,702)</u>	\$ <u>(2,387)</u>	\$ <u>34,576</u>

Statement of Retained Earnings

For the First Quarter Ended June 30 (unaudited)
(in thousands)

	2008	2007
	1 st QUARTER & YEAR TO DATE	1 st QUARTER & YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -
Net income	32,869	30,429
Net income paid to Province	<u>(32,869)</u>	<u>(30,429)</u>
Retained earnings, end of period	\$ —	\$ —

STATEMENT OF CASH FLOW

For the first quarter ended
June 30 (unaudited)
(in thousands)

	<u>2008</u>	<u>2007</u>
Operating		
Net income	\$ 32,869	\$ 30,429
Allocation of income to Province	(32,869)	(30,429)
Amortization	1,876	2,847
Net changes in working capital	<u>1,059</u>	<u>2,447</u>
	<u>2,935</u>	<u>5,294</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	492	(1,145)
Reduction of capital obligation	<u>(5,793)</u>	<u>(5,488)</u>
	<u>(5,301)</u>	<u>(6,633)</u>
Investing		
Purchases of capital assets	(2,149)	(1,937)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,400</u>	<u>493</u>
	<u>(749)</u>	<u>(1,444)</u>
Decrease in cash & cash equivalents	(3,115)	(2,783)
Cash, beginning of quarter	<u>7,794</u>	<u>7,645</u>
Cash, end of quarter	\$ <u>4,679</u>	\$ <u>4,862</u>

CERTIFICATION

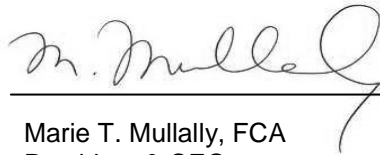
For the first quarter ended
June 30, 2008 (unaudited)

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.

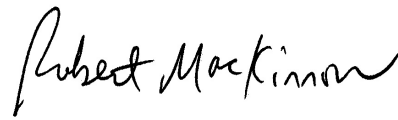
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney casinos and certain balances, including revenues, 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 Lottery 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 April 1, 2008 and ended on June 30, 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