



responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended September 30, 2010

FINANCIAL HIGHLIGHTS

For the second quarter ended
September 30, 2010 (unaudited)

In the second quarter, the total Payment to Province was \$37.6 million, which is \$2.6 million lower than the prior year due to decreased results in the Video Lottery and Casino business lines.

The Video Lottery business line accounted for \$22.8 million of the Payment to Province, a \$2.8 million decrease from the previous year which is attributed to lower revenue due to the maturity of the product in the market and higher expenses resulting from activation of the *My-Play* System.

The Ticket Lottery business line accounted for \$11.6 million of the Payment to Province, \$2.8 million higher than the previous year. The increase is a result of natural jackpot rolls in *Lotto Max*, which reached a jackpot level of \$50 million plus additional \$1 million MAXMILLIONS prizes five times in the second quarter.

Payment to Province from the Halifax casino was \$3.8 million, \$2.7 million lower than the previous year. The decrease at the Halifax casino is primarily due to Harmonized Sales Tax expenses. Payment to Province from the Sydney casino was \$2.5 million, \$0.1 million lower than the previous year.

Win Tax of \$4.3 million was deducted from casino revenues and paid directly to the Province of Nova Scotia.

Contributions and expenditures of \$1.6 million were incurred in the second quarter, in support of responsible gambling, prevention programming initiatives, and research and treatment of problem gambling. The allocation of the \$1.6 million is as follows:

	Quarter ended September 30, 2010	Quarter ended September 30, 2009
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 76,950	\$ 82,450
<i>Nova Scotia Gaming Corp.</i>	<u>76,950</u>	<u>82,450</u>
	153,900	164,900
Responsible Gambling/Prevention Programming programs	548,100	482,600
Contribution to Department of Health Promotion and Protection	<u>900,000</u>	<u>900,000</u>
Total Contributions	<u>\$ 1,602,000</u>	<u>\$ 1,547,500</u>

OPERATIONAL HIGHLIGHTS

For the second quarter ended
September 30, 2010 (unaudited)

The second quarter brought many exciting acts to the Halifax casino, including Kenny Loggins, Nazareth, Collin Raye and Dr. Hook, as well as Canadian artists Tom Cochrane, Bruce Guthro and Suzie McNeil.

The Halifax casino also featured tribute acts Beatlemania and Nearly Neil, a panel discussion with the cast of the *Deadliest Catch*, comedian Pauly Shore and legendary entertainer Mickey Rooney.

In Sydney, the premiere event of the summer was the Sydney Bike Fest hosted by Casino Nova Scotia. From July 30th through August 1st, more than 9,500 attendees turned the Sydney casino parking lot into an outdoor showground with acts that included Bad Habits, Evolution, the Andrew Doyle Band, Mike Wadden, Gone Country, Suzie McNeil and Matt Minglewood.

NSGC continued the province-wide activation of the *My-Play* System throughout the second quarter, which, as of July 31st, was substantially complete.

One new video lottery game was introduced in the second quarter. *Medusa* was launched on all 938 Power Station 5 terminals on September 4th.

The new national jackpot game, *Lotto Max*, which launched on September 17, 2009 as a replacement to *Lotto Super 7*, offered players a jackpot of \$50 million plus additional \$1 million prizes called MAXMILLIONS five times during the second quarter.

A new \$20 Scratch'N Win ticket, "Mega Millions," was launched offering players the best odds of winning \$1,000,000 in Atlantic Canada, along with the "Lucky Dog" Scratch'N Win ticket. "Lucky Dog" allowed residents of Atlantic Canada to submit photos of their dog to Atlantic Lottery. Winning photo entries were featured on the new tickets.

Also in the second quarter, Atlantic Lottery awarded two vehicles and ten \$1,000 prizes to the lucky winners of the "Second Chance" program draw for this period. The program runs until December 31, 2010, and offers players with eligible non-winning Scratch'N Win tickets, the opportunity to win the remaining grand prize of \$250,000 and ten additional \$1,000 prizes.

As part of NSGC's environmental business plan, NSGC staff participated in the Great Canadian Shoreline Clean-up on September 22, 2010. Staff spent a combined 26 hours cleaning Seaview Memorial Park in Halifax.

BALANCE SHEET
As at September 30 (unaudited)
(in thousands)

ASSETS

	<u>2010</u>	<u>2009</u>
Current		
Cash and Short-term Investments	\$ 16,133	\$ 8,348
Cash – restricted	5,107	1,595
Inventory, at cost	1,381	1,666
Prepays	<u>2,563</u>	<u>118</u>
	<u>25,184</u>	<u>11,727</u>
Long-term		
Cash – Casino Capital Replacement Reserve	156	273
Deferred charges	29	11
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>88,068</u>	<u>96,005</u>
	<u>88,255</u>	<u>96,291</u>
	<u>\$113,439</u>	<u>\$108,018</u>

LIABILITIES

Current		
Accounts payable	\$ 1,896	\$ 4,037
Deferred revenue	12,229	344
Liabilities for unclaimed prizes	5,107	1,595
Due to operators	3,787	1,290
Due to Atlantic Gaming Equipment Limited – current portion	7,629	13,644
Due to Nova Scotia Gaming Foundation	50	51
Due to Province of Nova Scotia	<u>64,812</u>	<u>70,175</u>
	<u>95,510</u>	<u>91,136</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	<u>9,963</u>	<u>8,067</u>
	<u>105,473</u>	<u>99,203</u>

EQUITY

Casino Capital Replacement Reserve	<u>7,966</u>	<u>8,815</u>
	<u>\$113,439</u>	<u>\$108,018</u>

Statement of Income and Payment to Province

For the second quarter ended September 30 (unaudited)
(in thousands)

	2010								2009							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	OTHER	TOTAL	
	Ticket Lottery	Video Lottery	HFX	SYD			2 nd Qtr	Year to date	Ticket Lottery	Video Lottery	HFX	SYD			2 nd Qtr	Year to date
Revenues	\$52,241	\$35,219	\$16,962	\$6,447	\$ -	\$ -	\$110,869	\$222,561	\$48,111	\$36,904	\$17,019	\$6,376	\$ -	\$ -	\$108,410	\$217,968
Expenses	<u>40,654</u>	<u>12,406</u>	<u>16,274</u>	<u>5,140</u>	<u>548</u>	<u>735</u>	<u>75,757</u>	<u>150,396</u>	<u>39,274</u>	<u>11,303</u>	<u>13,701</u>	<u>4,973</u>	<u>482</u>	<u>805</u>	<u>70,538</u>	<u>142,332</u>
Net Income before Contributions	11,587	22,813	688	1,307	(548)	(735)	35,112	72,165	8,837	25,601	3,318	1,403	(482)	(805)	37,872	75,636
Contributions to Community Programs	—	—	—	—	<u>1,054</u>	<u>694</u>	<u>1,748</u>	<u>5,635</u>	—	—	—	—	<u>1,065</u>	<u>900</u>	<u>1,965</u>	<u>4,521</u>
Net Income	11,587	22,813	688	1,307	(1,602)	(1,429)	33,364	66,530	8,837	25,601	3,318	1,403	(1,547)	(1,705)	35,907	71,115
Win Tax	—	—	<u>3,070</u>	<u>1,194</u>	—	—	<u>4,264</u>	<u>8,086</u>	—	—	<u>3,097</u>	<u>1,174</u>	—	—	<u>4,271</u>	<u>8,188</u>
Payment to Province	<u>\$ 11,587</u>	<u>\$ 22,813</u>	<u>\$ 3,758</u>	<u>\$ 2,501</u>	<u>\$(1,602)</u>	<u>\$(1,429)</u>	<u>\$ 37,628</u>	<u>\$ 74,616</u>	<u>\$ 8,837</u>	<u>\$ 25,601</u>	<u>\$ 6,415</u>	<u>\$ 2,577</u>	<u>\$(1,547)</u>	<u>\$(1,705)</u>	<u>\$ 40,178</u>	<u>\$ 79,303</u>

Statement of Retained Earnings

For the second quarter ended September 30 (unaudited)
(in thousands)

	2010		2009	
	2 nd QUARTER	YEAR TO DATE	2 nd QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	33,364	66,530	35,907	71,115
Net income paid to Province	<u>(33,364)</u>	<u>(66,530)</u>	<u>(35,907)</u>	<u>(71,115)</u>
Retained earnings, end of period	\$ —	\$ —	\$ —	\$ —

STATEMENT OF CASH FLOW

For the second quarter ended
September 30 (unaudited)
(in thousands)

	<u>2010</u>	<u>2009</u>
Operating		
Net income	\$ 33,364	\$ 35,907
Allocation of income to Province	(33,364)	(35,907)
Amortization	2,173	1,937
Net changes in working capital	<u>10,842</u>	<u>(2,145)</u>
	<u>13,015</u>	<u>(208)</u>
Financing		
(Decrease) Increase in obligation to Atlantic Gaming Equipment Limited	<u>(1,935)</u>	<u>137</u>
	<u>(1,935)</u>	<u>137</u>
Investing		
Purchases of capital assets	(347)	(1,696)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,552</u>	<u>2,334</u>
	<u>1,205</u>	<u>638</u>
Net increase in cash & cash equivalents	12,285	567
Cash, beginning of quarter	<u>3,848</u>	<u>7,781</u>
Cash, end of quarter	\$ <u>16,133</u>	\$ <u>8,348</u>

CERTIFICATION

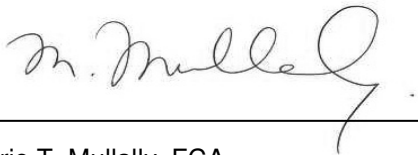
For the second quarter ended
September 30, 2010 (unaudited)

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.

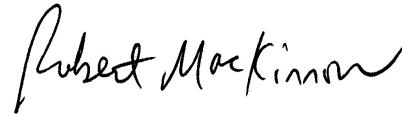
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues, 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 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 July 1, 2010 and ended on September 30, 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