



responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended December 31, 2010

FINANCIAL HIGHLIGHTS

For the third quarter ended
December 31, 2010 (unaudited)

In the third quarter, the total Payment to Province was \$39.1 million, which is \$1.1 million higher than the same quarter in the previous year. This is due to improved results in the Ticket Lottery business line.

The Video Lottery business line accounted for \$23.5 million of the Payment to Province, which is \$1.1 million lower than the previous year. This is due to decreased play activity across Nova Scotia, which resulted in lower revenue. Additional expenses in 2010-11 also contributed to this decline.

The Ticket Lottery business line accounted for \$11.8 million of the Payment to Province, which is \$1.6 million higher than the previous year. This increase is due to natural jackpot rolls in *Lotto Max* in the third quarter of 2010-11, which reached a jackpot level of \$50 million plus additional \$1 million MAXMILLIONS prizes three times in the quarter.

Payment to Province from the Halifax casino was \$4.9 million, which is \$1.0 million lower than the previous year. This was due to decreased revenue attributed to competition from Casino New Brunswick. Payment to Province from the Sydney casino was \$2.1 million, which is \$0.1 million lower than the previous year due to increased expenses.

Win Tax of \$3.6 million was deducted from casino revenues and paid directly to the Province of Nova Scotia during the quarter.

Contributions and expenditures of \$1.5 million were incurred in the third quarter in support of responsible gambling, prevention programming initiatives, and research and treatment of problem gambling, which is \$0.7 million lower than the previous year due to the non-recurrence of projects such as the Public Awareness Program. The allocation of the \$1.5 million is as follows:

	Quarter ended December 31, 2010	Quarter ended December 31, 2009
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 69,250	\$ 72,500
<i>Nova Scotia Gaming Corp.</i>	<u>69,250</u>	<u>72,500</u>
	138,500	145,000
Responsible Gambling/Prevention Programming Programs	370,800	1,067,500
Contribution to Department of Health and Wellness	<u>1,000,000</u>	<u>1,000,000</u>
Total Contributions	\$ <u>1,509,300</u>	\$ <u>2,212,500</u>

OPERATIONAL HIGHLIGHTS

For the third quarter ended
December 31, 2010 (unaudited)

The third quarter brought many exciting acts to the Halifax casino. Musical acts included Scott Stapp, Dennis DeYoung, Bret Michaels, the Bay City Rollers, Michelle Wright and Barney Bentall. Comedy was also featured with Greg Proops and Tom Green.

The Halifax casino presented a spectacular New Year's Eve celebration with two sold out shows by The Trews. Also part of the New Year's Eve celebration was a VIP dinner, free entertainment in the Harbourfront Lounge provided by Big Fish and Bitter Sweet, a champagne toast at midnight and live performances on the casino floor by members of Atlantic Cirque.

The national jackpot game, *Lotto Max*, offered players a jackpot of \$50 million plus additional \$1 million prizes, called MAXMILLIONS, three times during the quarter.

Also in the third quarter, winners were awarded the \$250,000 grand prize and ten additional \$1,000 prizes as a result of the "Second Chance" program from eligible non-winning lottery tickets. The program has concluded for the year and is scheduled to commence again in April 2011.

Nova Scotia's ninth annual Responsible Gambling Awareness Week (RGAW) was held October 3rd to 9th. The hallmark event of RGAW, the Responsible Gambling Conference hosted by NSGC, was held on October 4th and 5th. This year's conference featured 19 speakers and presenters over 15 sessions. Session topics were diverse and covered subjects such as: "Emerging Technologies in Responsible Gambling"; "Animation Based Education as a Gambling Prevention Tool"; and "Gambling and Older Adults", to name a few.

NSGC's first Community Spotlight of 2010-11 took place in Bridgewater from October 14th to 16th. The Community Spotlight initiative delivers a broad array of NSGC programs over a three-day period. NSGC's President & CEO hosted three separate meetings with local elected officials, community leaders and a session with video and ticket lottery retailers in the region. In addition, the Interactive Community Education Display was stationed at the Bridgewater Mall, the Youth Gambling Awareness Program was delivered at the local YMCA and the educational play, *R U UP?* was performed at the local high school.

As part of the Community Spotlight, NSGC also supported a Community Casino Night to help raise funds for the South Shore Regional Health Services Foundation on October 16th. NSGC provided assistance with the event promotion, volunteer training, supplying gaming equipment and providing volunteers to help deal Blackjack at the event. Close to \$20,000 was raised during the evening to help purchase an ultrasound unit for the South Shore Regional Hospital in Bridgewater.

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

ASSETS

	<u>2010</u>	<u>2009</u>
Current		
Cash and Short-term Investments	\$ 15,628	\$ 8,305
Cash – restricted	6,265	2,862
Inventory, at cost	1,652	1,605
Prepays	<u>1,759</u>	<u>1,444</u>
	<u>25,304</u>	<u>14,216</u>
Long-term		
Cash – Casino Capital Replacement Reserve	298	525
Deferred charges	25	38
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>87,393</u>	<u>96,741</u>
	<u>87,718</u>	<u>97,306</u>
	<u>\$113,022</u>	<u>\$111,522</u>

LIABILITIES

Current		
Accounts payable and other liabilities	\$ 12,624	\$ 2,117
Deferred revenue	540	885
Liabilities for unclaimed prizes	6,265	2,862
Due to operators	1,995	3,185
Due to Atlantic Gaming Equipment Limited – current portion	7,738	13,143
Due to Nova Scotia Gaming Foundation	44	45
Due to Province of Nova Scotia	<u>65,458</u>	<u>70,517</u>
	<u>94,664</u>	<u>92,754</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	<u>9,203</u>	<u>8,924</u>
	<u>103,867</u>	<u>101,678</u>

EQUITY

Casino Capital Replacement Reserve	<u>9,155</u>	<u>9,844</u>
	<u>\$113,022</u>	<u>\$111,522</u>

Statement of Income and Payment to Province

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

	2010								2009							
	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	\$55,818	\$35,235	\$14,714	\$5,466	\$ -	\$ -	\$111,233	\$333,794	\$50,826	\$35,803	\$16,043	\$5,426	\$ -	\$ -	\$108,098	\$326,066
Expenses	<u>44,011</u>	<u>11,782</u>	<u>12,442</u>	<u>4,315</u>	<u>371</u>	<u>780</u>	<u>73,701</u>	<u>224,097</u>	<u>40,652</u>	<u>11,193</u>	<u>13,051</u>	<u>4,197</u>	<u>1,067</u>	<u>866</u>	<u>71,026</u>	<u>213,358</u>
Net Income before Contributions	11,807	23,453	2,272	1,151	(371)	(780)	37,532	109,697	10,174	24,610	2,992	1,229	(1,067)	(866)	37,072	112,708
Contributions to Community Programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,138</u>	<u>908</u>	<u>2,046</u>	<u>7,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,145</u>	<u>1,770</u>	<u>2,915</u>	<u>7,436</u>
Net Income	11,807	23,453	2,272	1,151	(1,509)	(1,688)	35,486	102,016	10,174	24,610	2,992	1,229	(2,212)	(2,636)	34,157	105,272
Win Tax	<u>-</u>	<u>-</u>	<u>2,631</u>	<u>994</u>	<u>-</u>	<u>-</u>	<u>3,625</u>	<u>11,711</u>	<u>-</u>	<u>-</u>	<u>2,879</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>3,863</u>	<u>12,051</u>
Payment to Province	<u>\$11,807</u>	<u>\$23,453</u>	<u>\$ 4,903</u>	<u>\$2,145</u>	<u>\$(1,509)</u>	<u>\$(1,688)</u>	<u>\$ 39,111</u>	<u>\$113,727</u>	<u>\$10,174</u>	<u>\$24,610</u>	<u>\$ 5,871</u>	<u>\$2,213</u>	<u>\$(2,212)</u>	<u>\$(2,636)</u>	<u>\$ 38,020</u>	<u>\$117,323</u>

Statement of Retained Earnings

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

	2010		2009	
	3 rd QUARTER	YEAR TO DATE	3 rd QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	35,486	102,016	34,157	105,272
Net income paid to Province	<u>(35,486)</u>	<u>(102,016)</u>	<u>(34,157)</u>	<u>(105,272)</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>2010</u>	<u>2009</u>
Operating		
Net income	\$ 35,486	\$ 34,157
Allocation of income to Province	(35,486)	(34,157)
Amortization	2,240	3,391
Net changes in working capital	<u>(1,576)</u>	<u>(440)</u>
	<u>664</u>	<u>2,951</u>
Financing		
Increase in obligation to Atlantic Gaming Equipment Limited	<u>(651)</u>	<u>356</u>
Investing		
Purchases of capital assets	(1,565)	(4,127)
Increase in Casino Capital Replacement Reserve, net of cash	<u>1,047</u>	<u>777</u>
	<u>(518)</u>	<u>(3,350)</u>
Net (decrease) / increase in cash & cash equivalents	(505)	(43)
Cash, beginning of quarter	<u>16,133</u>	<u>8,348</u>
Cash, end of quarter	\$ <u>15,628</u>	\$ <u>8,305</u>

CERTIFICATION

For the third quarter ended
December 31, 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 Acting President & Chief Executive Officer and the Vice President, Finance.

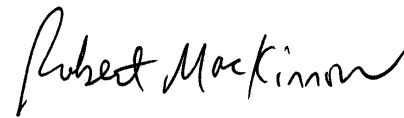
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney casinos and certain balances, including revenues, 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, 2010 and ended on December 31, 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



Stephen MacDonald
A/ President & CEO



Robert MacKinnon, CA
Vice-President, Finance