



NOVA SCOTIA
GAMING CORPORATION

responsible • progressive • accountable

QUARTERLY REPORT

For the quarter ended March 31, 2009

FINANCIAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2009 (unaudited)

In the fourth quarter, the total Payment to Province was \$32.5 million, which is \$5.4 million lower than the prior year primarily due to an increase in expenses.

The Video Lottery business line accounted for \$23.1 million of the Payment to Province, which is \$1.1 million lower than the previous year. The decrease in Payment to Province for the quarter is primarily due to the amortization of revenue guarantee payments to retailers who voluntarily relinquished their terminals as part of the Asset Management Program.

The Ticket Lottery business line accounted for \$8.2 million of the Payment to Province, which is \$1.7 million lower than the previous year. Revenue was higher than the previous year as a result of Lotto 6/49 jackpot rolls, rejuvenation of the Scratch'N Win product line, and the launch of the Keno Lottery game. Expenses necessary to support the increased revenue and product launches included more prizes paid out to players and increased advertising and depreciation costs. The increase in expense was the reason for the lower net income result.

Payment to Province from the Halifax Casino was \$3.9 million, which is \$1.6 million lower than the previous year. This was due in part to a slight decrease in revenue due to operational changes in the spring of 2008 and to increased expenses. Payment to Province from the Sydney Casino was \$1.9 million, which is \$0.2 million lower than the previous year due to an increase in expenses in the quarter.

Win Tax of \$3.7 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 fourth quarter, in support of responsible gambling, prevention programming and treatment of problem gambling. The allocation of the \$2.1 million is as follows:

	Quarter ended March 31, 2009	Quarter ended March 31, 2008
Nova Scotia Gaming Foundation		
<i>Video Lottery Retailers</i>	\$ 73,600	\$ 78,900
<i>Nova Scotia Gaming Corp.</i>	<u>73,600</u>	<u>78,900</u>
	147,200	157,800
Responsible Gambling/Prevention Programming programs	944,000	982,000
Contribution to Department of Health Promotion and Protection	<u>1,019,000</u>	<u>1,000,000</u>
Total Contributions	\$ <u>2,110,200</u>	\$ <u>2,140,800</u>

OPERATIONAL HIGHLIGHTS

For the fourth quarter ended
March 31, 2009 (unaudited)

Entertainment highlighted the fourth quarter at the Halifax Casino. Kris Kristofferson, Serena Ryder, Emerson Drive, Max Pellicano and Dr. Hook all made appearances at the Schooner Showroom. In addition, a very successful Songwriters Circle featuring Bruce Guthro took place in March. On Friday and Saturday nights throughout the quarter, the Harbourfront Lounge featured some of the best free, live entertainment in the city. In Sydney, new weekend entertainment in the lounge brought in a different demographic of patrons and increased Player's Club sign-ups. This new series includes local acts as well as pay-per-view sporting events like Ultimate Fighting Championship, which was presented to a sell-out crowd.

Both Casino properties continued to offer exciting gaming opportunities throughout the quarter. Halifax hosted the 2009 Kickoff, Crack the Safe and Team Poker Tournaments. The Halifax Casino also featured the March Madness Cash Grab. Guests had the opportunity to enter the Casino Nova Scotia Cash Cube and grab as much cash as they could within 30 seconds. Sydney featured its very popular weekly Slot Tournaments.

Throughout the fourth quarter, ALC continued to offer customers new, innovative products and execute a rejuvenation strategy for the Scratch'N Win category. As part of the Scratch'N Win rejuvenation strategy, ALC launched a \$10 Monopoly ticket in the last week of March, a \$3 Uno ticket in mid-March and a \$2 Slingo ticket in mid-February.

In order to ensure products offered on PlaySphere remain consistent with the traditional retail environment, PlaySphere was updated to allow players to purchase 'Twist' on Lotto Super 7 tickets during the fourth quarter.

Nova Scotia's Keno Ticket Lottery product was launched in March. Millionaire Life, an annual national jackpot game, was reintroduced in the fourth quarter of 2008-09, which offered players the chance to win \$1.0 million per year for 25 years.

Upgrades to 600 Power Station video lottery terminals were completed in March 2009. The upgrades were driven by player feedback that indicated malfunctioning monitors, printers and bill acceptors had diminished the play experience of those terminals.

NSGC launched a *Support4Sport* awareness campaign consisting of TV, print, online, point-of-sale and arena signage. The awareness campaign features a coach, an athlete, and a community sport program, with each recipient telling their story to help raise awareness about *Support4Sport* and illustrate the direct impact of the Program. The continued success of the 2008-09 *Support4Sport* Program enabled NSGC to deliver a \$0.7 million payment to Sport Nova Scotia in Q4 (a total of \$2.5 million from the *Support4Sport* Program in 2008-09) and \$1.0 million in support of the 2011 Canada Games being held in Halifax.

Also in the fourth quarter, NSGC was awarded a Level 4 certification from the World Lottery Association (WLA) as part of its Responsible Gaming Framework, making NSGC one of the first gaming organizations in the world to be certified as operating at this highest level of responsibility. The four-level Framework represents global best practices in social responsibility and the fostering of responsible gambling behaviour.

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

ASSETS

	<u>2009</u>	<u>2008</u>
Current		
Cash and Short-term Investments	\$ 7,280	\$ 7,794
Cash – restricted	2,483	2,714
Inventory, at lower of cost or net realizable value	1,666	1,490
Prepays	<u>1,236</u>	<u>617</u>
	<u>12,665</u>	<u>12,615</u>
Long-term		
Cash – Casino Capital Replacement Reserve	1,164	1,406
Deferred charges	693	21
Investment in Atlantic Lottery Corporation Inc.	1	1
Investment in Interprovincial Lottery Corporation	1	1
Capital assets	<u>98,963</u>	<u>91,204</u>
	<u>100,822</u>	<u>92,633</u>
	<u>\$113,487</u>	<u>\$105,248</u>

LIABILITIES

Current		
Accounts payable	\$ 2,216	\$ 2,810
Deferred lottery revenue	654	498
Liabilities for unclaimed prizes	2,483	2,714
Capital obligation – current portion	-	6,858
Due to operators	9,000	7,760
Due to Atlantic Gaming Equipment Limited – current portion	7,837	7,201
Due to Nova Scotia Gaming Foundation	52	55
Due to Province of Nova Scotia	<u>68,400</u>	<u>66,430</u>
	<u>90,642</u>	<u>94,326</u>
Long-term		
Due to Atlantic Gaming Equipment Limited	<u>16,517</u>	<u>4,978</u>
	<u>107,159</u>	<u>99,304</u>

EQUITY

Casino Capital Replacement Reserve	<u>6,328</u>	<u>5,944</u>
	<u>\$113,487</u>	<u>\$105,248</u>

Statement of Income and Payment to Province

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

	2009								2008							
	LOTTERIES		CASINOS		RG	OTHER	TOTAL		LOTTERIES		CASINOS		RG	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	\$52,197	\$36,475	\$15,077	\$5,275	\$ -	\$ 96	\$109,120	\$440,175	\$49,816	\$35,436	\$15,988	\$5,271	\$ -	\$ 1650	\$106,676	\$438,424
Expenses	<u>44,041</u>	<u>13,358</u>	<u>13,889</u>	<u>4,283</u>	<u>944</u>	<u>787</u>	<u>77,302</u>	<u>293,730</u>	<u>39,961</u>	<u>11,218</u>	<u>13,395</u>	<u>4,101</u>	<u>982</u>	<u>958</u>	<u>70,615</u>	<u>293,585</u>
Net Income before Contributions	8,156	23,117	1,188	992	(944)	(691)	31,818	146,445	9,855	24,218	2,593	1,170	(982)	(793)	36,061	114,839
Community Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,166</u>	<u>1,806</u>	<u>2,972</u>	<u>9,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,158</u>	<u>834</u>	<u>1,992</u>	<u>8,262</u>
Net Income	8,156	23,117	1,188	992	(2,110)	(2,497)	28,846	136,536	9,855	24,218	2,593	1,170	(2,140)	(1,627)	34,069	136,577
Win Tax	<u>-</u>	<u>-</u>	<u>2,711</u>	<u>952</u>	<u>-</u>	<u>-</u>	<u>3,663</u>	<u>16,128</u>	<u>-</u>	<u>-</u>	<u>2,908</u>	<u>941</u>	<u>-</u>	<u>-</u>	<u>3,849</u>	<u>16,989</u>
Payment to Province	<u>\$8,156</u>	<u>\$23,117</u>	<u>\$ 3,899</u>	<u>\$1,944</u>	<u>\$(2,110)</u>	<u>\$(2,497)</u>	<u>\$ 32,509</u>	<u>\$152,664</u>	<u>\$ 9,855</u>	<u>\$24,218</u>	<u>\$ 5,501</u>	<u>\$2,111</u>	<u>\$(2,140)</u>	<u>\$(1,627)</u>	<u>\$ 37,918</u>	<u>\$ 153,566</u>

Statement of Retained Earnings

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

	2009		2008	
	4 th QUARTER	YEAR TO DATE	4 th QUARTER	YEAR TO DATE
Retained earnings, beginning of period	\$ -	\$ -	\$ -	\$ -
Net income	28,846	136,536	34,069	136,577
Net income paid to Province	<u>(28,846)</u>	<u>(136,536)</u>	<u>(34,069)</u>	<u>(136,577)</u>
Retained earnings, end of period	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**STATEMENT OF
CASH FLOW**
For the fourth quarter ended
March 31 (unaudited)
(in thousands)

	<u>2009</u>	<u>2008</u>
Operating		
Net income	\$ 28,846	\$ 34,069
Allocation of income to Province	(28,846)	(34,069)
Amortization	4,951	6,295
Net changes in working capital	<u>(7,531)</u>	<u>4,987</u>
	<u>(2,580)</u>	<u>11,282</u>
Financing		
Increase (decrease) in obligation to Atlantic Gaming Equipment Limited	6,872	(316)
Reduction of capital obligation	—	<u>(2,537)</u>
	<u>6,872</u>	<u>(2,853)</u>
Investing		
Purchase of capital assets	(8,209)	(919)
Decrease in Casino Capital Replacement Reserve, net of cash	<u>(3,248)</u>	<u>(5,522)</u>
	<u>(11,457)</u>	<u>(6,441)</u>
Net (decrease) increase in cash & cash equivalents	(7,165)	1,988
Cash, beginning of quarter	<u>14,445</u>	<u>5,806</u>
Cash, end of quarter	<u>\$ 7,280</u>	<u>\$ 7,794</u>

CERTIFICATION

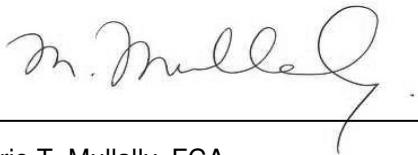
For the fourth quarter ended
March 31, 2009 (unaudited)

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.

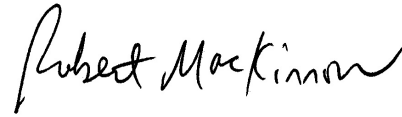
NSGC relied upon procedures performed and certifications provided over disclosure controls and internal controls over financial reporting provided by Great Canadian Gaming Corporation (GCGC). NSGC has contracted GCGC to operate the Halifax and Sydney Casinos and certain balances, including revenues, 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 January 1, 2009 and ended on March 31, 2009, 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