

## INFORMATION STATEMENT DATED JULY 5, 2007

*This Information Statement has been prepared solely for the purpose of assisting prospective purchasers in making an investment decision with respect to the Notes. This Information Statement is confidential and should not be reproduced or disseminated in whole or in part without the permission of The Bank of Nova Scotia. This Information Statement constitutes an offering of these Notes only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell the Notes. No securities commission or similar authority in Canada has in any way passed upon the merits of the Notes offered hereunder and any representation to the contrary is an offence. The Notes offered under this Information Statement have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any State securities laws and, subject to certain exceptions, may not be offered for sale, sold or delivered, directly or indirectly in the United States, its territories or possessions to or for the account or benefit of US persons within the meaning of Regulation S under the 1933 Act. In addition, the Notes may not be offered or sold to residents of any jurisdiction or country in Europe.*



# The Bank of Nova Scotia Callable Saskatchewan Focused Notes, Series 1

## PRINCIPAL PROTECTED

The Bank of Nova Scotia — Callable Saskatchewan Focused Notes, Series 1 (the "Notes") are principal protected notes issued by The Bank of Nova Scotia (the "Bank"), the return on which is linked, in the manner provided herein, to the performance of a basket (the "Basket"), consisting of the following assets (the "Assets"), with the initial dollar weighting of each Asset in the Basket shown in parenthesis: common shares of Cameco Corporation (10%); Gasoline (20%); Natural Gas (20%); common shares of Potash Corporation of Saskatchewan Inc. (10%); the S&P GSCI™ Agriculture Index (Excess Return) (20%); and the S&P GSCI™ Livestock Index (Excess Return) (20%). The Notes will mature on August 24, 2012 (the "Maturity Date"). The Notes are not redeemable by the holder (an "Investor") prior to the Maturity Date.

**The Bank has the right (the "Bank Call Right"), at its option, to redeem all but not less than all of the Notes on August 24, 2009 (the "Call Date").** If the Bank exercises the Bank Call Right, Investors will be entitled to receive payment on the Call Date, in respect of each Note held, of an amount in Canadian dollars equal to the Principal Amount (\$100) plus \$16.64 (the "Call Coupon"), which is equivalent to an annual compound rate of return of approximately 8%. Investors have no right to require the redemption of any Notes in any circumstance. **If the Bank exercises the Bank Call Right, an Investor's return will be fixed at \$16.64 per Note and Investors will not receive any Variable Return (as defined herein). See "Description of the Notes — Bank Call Right" and "Risk Factors".**

Subject to the Bank Call Right, at the Maturity Date, a holder of a Note (each an "Investor") will receive an amount per Note equal to: (i) the amount deposited of \$100 (the "Principal Amount"); and (ii) the variable return, if any (the "Variable Return"), in an amount equal to the Principal Amount multiplied by the Basket Return. The Basket Return is the sum of the Weighted Asset Returns (each of which can be positive or negative), expressed as a percentage. A Weighted Asset Return is the percentage increase or decrease in the Reference Price of the relevant Asset measured from the Issue Date to the second Business Exchange Day prior to the Maturity Date, multiplied by the Weighting of such Asset. **No Variable Return will be paid unless the Basket Return is greater than zero.** See "Description of the Notes — Variable Return".

**A prospective investor should decide to invest in the Notes only after carefully considering with his or her advisors whether the Notes are a suitable investment in light of the particular circumstances of the investor and the information set out in this Information Statement. Neither the Bank nor Scotia Capital Inc. nor any of their respective affiliates make any recommendation as to whether the Notes are a suitable investment for any person. See "Risk Factors".**

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**PRICE: \$100 PER NOTE**  
**Minimum Subscription: \$5,000 (50 Notes)**  
**FundSERV Code: SSP 113**

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*The Bank has taken reasonable care to ensure that the facts stated in this Information Statement with respect to the Notes are true and accurate in all material respects. However, the Bank and the Selling Agent make no assurances, representations or warranties with respect to the accuracy, reliability or completeness of any information obtained from third parties reproduced herein.*

*Neither the Bank, the Selling Agent nor any of their respective affiliates express any view as to the future performance of any of the Assets. Investors should make any decision to invest in the Notes based only on their own views on the likely future performance of the Assets without reliance on the Bank or any of its affiliates and with the knowledge that the views of the Bank or any of its affiliates and the views of other market professionals may be different than theirs.*

In this Information Statement, "\$" refers to Canadian Dollars, unless otherwise expressly specified.

## SUITABILITY FOR INVESTMENT

An investment in Notes is suitable only for investors prepared to assume risks with respect to a return tied to the performance of the Assets. The return on the Notes, if any, is uncertain in that an investor may not receive anything more than the Principal Amount at the Maturity Date. **The Principal Amount is guaranteed to be repaid only if the Notes are held to the Maturity Date or the Bank Call Right is exercised.** A person should reach a decision to invest in the Notes only after carefully considering, with his or her advisors, the suitability of this investment in light of his or her investment objectives and the information set out in this Information Statement. The Notes are not conventional indebtedness in that they have no fixed yield. It is possible that the Assets will not have appreciated in value by the Maturity Date and therefore the Notes could produce no yield at the Maturity Date. Therefore, the Notes are not suitable investments for investors requiring or expecting certainty of yield. See “Risk Factors”.

## ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the Notes offered hereby would, if issued on the date of this Information Statement, be qualified investments under the Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans or deferred profit sharing plans (other than a trust governed by a deferred profit sharing plan to which contributions are made by the Bank or by an employer with which the Bank does not deal at arm’s length within the meaning of the Act).

## SUMMARY

*The following is a summary only and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Information Statement. Capitalized terms that are used but not defined in this summary are defined elsewhere in this Information Statement. See “Glossary” for defined terms.*

**Issue:** The Bank of Nova Scotia — Callable Saskatchewan Focused Notes, Series 1.

**Issuer:** The Bank of Nova Scotia.

**Selling Agent:** Scotia Capital Inc.

**Principal Amount:** The Notes will be sold in denominations of \$100 per Note (the “Principal Amount”).

<b>Subscription Price:</b>	<u>Price to an Investor<sup>(1)</sup></u>	<u>Selling Agent Fees</u>	<u>Proceeds to the Bank<sup>(2)</sup></u>
	\$100 per Note . . . . .	\$3.00	\$97.00

(1) The price to be paid by each Investor upon issuance has been determined by negotiation between the Bank and the Selling Agent.

(2) Before deduction of expenses of issue, which will be paid by the Bank out of its general funds.

**Minimum Subscription:** Minimum subscription of \$5,000 (50 Notes).

**Issue Size:** A maximum of \$50,000,000 Principal Amount of Notes may be issued by the Bank under the Offering. The maximum size of the Offering may be changed at any time, without notice, in the sole discretion of the Bank.

**Issue Date:** The Notes will be issued on or about August 24, 2007 (the actual date of issuance being the “Issue Date”).

Subscription proceeds submitted by Investors in advance of the Issue Date will be held in an account by the Selling Agent and will bear interest at an annual rate equal to 2.00%. To the extent that the interest accrued on any Investor’s subscription proceeds from the date of deposit to the Issue Date equals or exceeds \$100 or integral multiples thereof, such Investor will receive Notes in an equivalent Principal Amount rounded down to the nearest integral multiple of \$100. Investors have no entitlement to, and will not receive, any cash payment of interest under any circumstances, except where an Investor rescinds or has its purchase order rejected, in entirety, in which case the Investor will receive cash equal to the interest earned rounded down to the nearest integral multiple of \$100. No fractional Notes will be issued.

**Initial Price:** For purposes of determining the Weighted Asset Returns, the Initial Price of each Asset will be its Reference Price on the Issue Date, subject to deferral in the circumstances described under “Description of the Notes — Special Circumstances”.

**Final Price:** For purposes of determining the Weighted Asset Returns, the Final Price of each Asset will be its Reference Price on the date that is two Business Exchange Days prior to the Maturity Date (the “Calculation Date”), subject to deferral in the circumstances described under “Description of the Notes — Special Circumstances”.

**Maturity Date/Term:** The Notes will mature on August 24, 2012 resulting in a term to maturity of approximately 5 years, unless redeemed by the Bank on the Call Date pursuant to the Bank Call Right.

**The Assets:**

The Basket will consist of the following Assets, with the relative dollar weightings (the “Weightings”) of each Asset in the Basket at inception shown in parenthesis:

- Cameco Shares (10%);
- Gasoline (20%);
- Natural Gas (20%);
- Potash Shares (10%);
- S&P GSCI™ Agriculture Index (Excess Return) (20%); and
- S&P GSCI™ Livestock Index (Excess Return) (20%).

The S&P GSCI™ Agriculture Index (Excess Return), in turn, is based on the following commodities, with the weighting of each such commodity therein as of July 2, 2007 shown in parenthesis: cocoa (2%); coffee (5%); corn (24%); cotton (8%); soybeans (17%); sugar (8%); wheat (Chicago) (27%); and wheat (Kansas City) (9%). The S&P GSCI™ Livestock Index (Excess Return), in turn, is based on the following commodities, with the weighting of each such commodity therein as of July 2, 2007 shown in parenthesis: feeder cattle (13%); live cattle (55%); and lean hogs (32%). Brief descriptions of the Assets in the Basket and information on the historical price performance of the Assets is set out under “The Assets”.

**All references herein to the Basket and the Assets are solely for purposes of establishing the sources of and the mechanics for determining the Variable Return, if any. The Notes do not constitute a direct investment in any of the Assets or in any commodity underlying the S&P GSCI™ Agriculture Index (Excess Return) or the S&P GSCI™ Livestock Index (Excess Return) (collectively, the “Indices”). By acquiring Notes, Investors will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of any Asset in the Basket or in any commodity underlying the Indices.**

**Bank Call Right:**

**The Bank has the right to redeem all, but not less than all, of the Notes on the Call Date (August 24, 2009) by providing notice to Investors not less than 10 Business Days prior to the Call Date. The decision to redeem the Notes will be in the sole discretion of the Bank. Investors do not have the right to require redemption of Notes in any circumstances. If the Bank exercises the Bank Call Right, the amount payable by the Bank on the Call Date in respect of each Note will be an amount equal to the sum of: (i) the Principal Amount; plus (ii) \$16.64 (the “Call Coupon”). The Call Coupon of \$16.64 per Note, if paid on the Call Date, would be equivalent to an annual compound rate of return per Note of approximately 8%. If the Bank exercises the Bank Call Right, an Investor’s return will be fixed at \$16.64 per Note and Investors will not receive any Variable Return. An Investor’s return on the Notes, if redeemed pursuant to the Bank Call Right, may be less than would otherwise be the case if the Bank had not exercised the Bank Call Right. See “Description of the Notes — Bank Call Right” and “Risk Factors”.**

**Amounts Payable at Maturity:**

Subject to the Bank’s right to exercise the Bank Call Right, the amount payable in respect of each Note on the Maturity Date will be equal to the sum of: (i) the Principal Amount; plus (ii) the Variable Return, if any. An Investor does not have the right to retract or cause the redemption of the Notes prior to the Maturity Date. However, an Investor may be able to sell Notes in any available secondary market prior to the Maturity Date. See “Description of the Notes — Secondary Trading of Notes”. In no event,

except in the case of the exercise of the Bank Call Right, will the Principal Amount of a Note be paid prior to the Maturity Date. The amount and method of calculating Variable Return and the timing of the payment of Variable Return, if any, may be affected by Market Disruption Events and Extraordinary Events.

**Variable Return:**

Subject to the Bank's right to exercise the Bank Call Right, the Notes will not bear any interest during the term of the Notes, but will have a Variable Return, if any, per Note at maturity calculated as follows:

$$\text{Variable Return} = \text{Principal Amount} \times \text{Basket Return}$$

The Basket Return will equal the sum of the Weighted Asset Returns (which can be positive or negative) of the Assets in the Basket. **No Variable Return will be paid unless the Basket Return is greater than zero.** See "Description of the Notes — Variable Return" and "Risk Factors".

The Weighted Asset Return of any particular Asset in the Basket is the percentage increase or decrease in the Reference Price of that Asset, measured from the Issue Date to the Calculation Date, multiplied by its Weighting.

**Deferral of Payment:**

In certain circumstances, payment of Variable Return, if any, may be deferred to ensure compliance with Canadian laws regarding interest rates. See "Description of the Notes — Deferred Payment".

**Market Disruption Event:**

If a Market Disruption Event occurs on the Calculation Date, determination of the Variable Return, if any, will be postponed to a later date. If a Market Disruption Event occurs on either the Issue Date or the Calculation Date and continues for a period of eight consecutive Business Days, the Calculation Agent may, in its discretion, elect to determine the Initial Price or the Final Price, as the case may be, of the affected Asset. See "Description of the Notes — Special Circumstances — Market Disruption Event".

**Extraordinary Event:**

The occurrence of an Extraordinary Event may result in the early determination of the Variable Return, if any, payable to Investors. If an Extraordinary Event occurs, the Bank may elect to pay the Variable Return, if any, to Investors at that time or, instead, defer payment of any such Variable Return until the Maturity Date. Notwithstanding the occurrence of an Extraordinary Event, the Principal Amount of each Note will not, under any circumstances, be repaid until the Maturity Date. See "Description of the Notes — Special Circumstances — Extraordinary Event".

**Credit Rating:**

**The Notes have not been rated.** As of the date of this Information Statement, the Bank's deposit liabilities with a term of more than one year were rated AA by DBRS, AA- by S&P and Aa1 by Moody's. There can be no assurance that if the Notes were specifically rated by these rating agencies that they would have the same rating as such other deposit liabilities. **A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.** See "Description of the Notes — Credit Rating".

**Secondary Market:**

**There is currently no market through which the Notes may be sold.** There can be no assurance that a secondary market for the Notes will develop or, if such market does develop, that it will be sustained or liquid. The Notes will not be listed on any stock exchange. However, an Investor may be able to sell Notes prior to maturity in any available secondary market. The Selling Agent

intends to use reasonable efforts to initiate and maintain a secondary market for the Notes, but reserves the right not to do so at any time in the future, in its sole discretion, without providing prior notice to Investors. These efforts will consist of posting a daily bid price (the “Bid Price”) through FundSERV for the Notes. The Selling Agent may, for any reason, elect not to purchase Notes from any particular Investor. **If an Investor sells a Note to the Selling Agent within the first 630 days from the Issue Date, the Investor will receive sale proceeds equal to the Bid Price for the Note as determined by the Selling Agent minus any applicable Early Trading Charge. A sale of Notes originally purchased through FundSERV will be subject to certain additional limitations and procedures established by FundSERV.** See “Description of the Notes — Secondary Trading of Notes”, “FundSERV” and “Risk Factors”.

**Early Trading Charge:**

During the first 630 days following the issuance of the Notes, an Early Trading Charge will apply to any secondary market sale of a Note through the Selling Agent. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Note, determined as follows:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0-90 days . . . . .	5.50%
91-180 days . . . . .	4.50%
181-270 days . . . . .	3.50%
271-360 days . . . . .	2.50%
361-450 days . . . . .	1.50%
451-540 days . . . . .	1.00%
541-630 days . . . . .	0.50%
Thereafter . . . . .	Nil

**An Investor should be aware that any price for the Notes appearing on his or her monthly or quarterly investment account statement will be BEFORE the application of any applicable Early Trading Charge. An Investor wishing to sell Notes prior to the Maturity Date should consult with his or her investment advisor as to whether an Early Trading Charge is payable and, if so, how much it will be.**

**Book-Entry Registration:**

The Notes will be evidenced by a single global Note held by a depositary (initially being CDS). Registration of the interests in and transfers of the Notes will be made only through the book-entry system of CDS. Subject to certain limited exceptions, Investors will not be entitled to any certificate or other instrument from the Bank or the depositary evidencing the ownership thereof and an Investor will not be shown on the records maintained by the depositary except through an agent who is a participant of the depositary. See “Description of the Notes — Form of the Notes”.

**Status:**

The Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* among themselves with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding (except as otherwise prescribed by law). **Investors will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.**

**Use of Proceeds:**

The Net Proceeds will not be held by the Bank in trust for Investors in any segregated or other account, but rather the Bank will use the Net Proceeds of the Offering for its general banking purposes. See “Use of Proceeds”.

**Income Tax Considerations:**

This income tax summary is subject to the limitations and qualifications set out under the heading “Certain Canadian Federal Income Tax Considerations”. Except in the case of an Extraordinary Event or the Bank giving notice of its intention to exercise the Bank Call Right, there should generally be no deemed accrual of interest on the Notes under the “prescribed debt obligation” rules of the Act and the Regulations until the taxation year of an Initial Investor that includes the Maturity Date. Where the Variable Return is determined because of an Extraordinary Event but payment is deferred until the Maturity Date then the Variable Return will generally be required to be accrued by the Initial Investor in accordance with the “prescribed debt obligation” rules of the Act and the Regulations. Where there is an early payment of the Variable Return as a result of an Extraordinary Event, the full amount of such Variable Return payment will generally be required to be included in an Initial Investor’s income in the taxation year of such Initial Investor in which the Variable Return is calculable. Where the Bank gives notice of its intention to exercise the Bank Call Right, then the Call Coupon will generally be required to be accrued by the Initial Investor in accordance with the “prescribed debt obligation” rules of the Act and the Regulations. The full amount of: (i) the Call Coupon paid to an Initial Investor on the Call Date; or (ii) the Variable Return paid to an Initial Investor at the Maturity Date will generally be required to be included in an Initial Investor’s income in the taxation year of such Initial Investor that includes the Call Date or the Maturity Date, respectively. Although not free from doubt, an Initial Investor who disposes of, or is deemed to dispose of, a Note (other than by virtue of repayment of the Note on the Maturity Date or the Call Date) should realize a capital gain (or capital loss) to the extent that the proceeds of disposition of the Note, less any costs of disposition, exceed (or are exceeded by) the Initial Investor’s adjusted cost base of the Note. **Initial Investors who dispose of Notes prior to the Maturity Date should consult their tax advisors with respect to their particular circumstances.**

**Selling Expenses:**

Selling expenses of \$3.00 per Note will be paid out of the proceeds of this Offering to qualified selling members for selling the Notes.

**Risk Factors:**

Before reaching a decision to purchase any Notes, prospective investors should carefully consider a variety of risk factors associated with the Notes. **An Investor will not be able to require redemption of the Notes prior to the Maturity Date.** The Notes have certain characteristics that differ from conventional fixed income investments in that they do not provide any return or income stream prior to the Maturity Date, or a return at the Maturity Date that is calculated by reference to a fixed or floating rate of interest that can be determined prior to the Maturity Date. The return on the Notes (if any), unlike the return on many deposit liabilities of Canadian chartered banks, is uncertain. Therefore, the Notes are not suitable investments for Investors that need or expect certainty of yield. The Notes are designed for Investors with a long-term investment horizon who are prepared to hold the Notes to the Maturity Date and are prepared to assume risks with respect to a return tied to the performance of the Assets.

There is no assurance that any of the Assets will appreciate in value over the term of the Notes. Therefore, there is no assurance that Investors will receive any amount at the Maturity Date other than the repayment of the Principal Amount. The Notes do not represent a direct or indirect ownership interest in any Asset in the Basket or in any commodity underlying the Indices.

If the Bank exercises the Bank Call Right and, as a result, redeems the Notes, Investors will receive, in respect of each Note, the Principal Amount plus the \$16.64 Call Coupon. In such circumstances, Investors will not receive any Variable Return. An Investor's return on the Notes, if redeemed pursuant to the Bank Call Right, may be less than would otherwise be the case if the Bank had not exercised the Bank Call Right.

A prospective investor should decide to invest in the Notes only after carefully considering with his or her advisor whether the Notes are a suitable investment in light of his or her own circumstances and the information set out in this Information Statement. None of the Bank, Scotia Capital Inc. or their respective affiliates makes any recommendation as to whether the Notes are a suitable investment for any person. See "Risk Factors".

## DESCRIPTION OF THE NOTES

### Issue Size

The Bank of Nova Scotia — Callable Saskatchewan Focused Notes, Series 1 will be issued by the Bank on the Issue Date. A maximum of \$50,000,000 Principal Amount of Notes will be issued by the Bank under the Offering. The maximum size of the Offering may be changed at any time, without notice, in the sole discretion of the Bank.

### Principal Amount and Minimum Subscription

Each Note will be issued in a Principal Amount of \$100. The price to be paid by each Investor upon issuance has been determined by negotiation between the Bank and the Selling Agent. The minimum subscription per Investor will be fifty (50) Notes (i.e. \$5,000).

### The Basket and the Assets

The Basket will consist of the following Assets, with the Weighting of each Asset in the Basket shown in parenthesis:

- Cameco Shares (10%);
- Gasoline (20%);
- Natural Gas (20%);
- Potash Shares (10%);
- S&P GSCI™ Agriculture Index (Excess Return) (20%); and
- S&P GSCI™ Livestock Index (Excess Return) (20%).

The S&P GSCI™ Agriculture Index (Excess Return), in turn, is based on the following commodities with the weighting of each such commodity therein as of July 2, 2007 shown in parenthesis: cocoa (2%); coffee (5%); corn (24%); cotton (8%); soybeans (17%); sugar (8%); wheat (Chicago) (27%); and wheat (Kansas City) (9%). The S&P GSCI™ Livestock Index (Excess Return), in turn, is based on the following commodities, with the weighting of each such commodity therein as of July 2, 2007 shown in parenthesis: feeder cattle (13%); live cattle (55%); and lean hogs (32%). Brief descriptions of the Assets and information on the historical price performance of the Assets is set out under “The Assets”.

**All references herein to the Basket and the Assets are solely for purposes of establishing the sources of and the mechanics for determining the Variable Return, if any. The Notes do not constitute a direct investment in any of the Assets or in any commodity underlying the Indices. By acquiring Notes, Investors will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of any Asset notionally contained in the Basket or of any commodity underlying the Indices.**

### Bank Call Right

**The Bank has the right to redeem all, but not less than all, of the Notes on the Call Date by providing notice to Investors not less than 10 Business Days prior to the Call Date (being August 24, 2009).** The decision to redeem the Notes is in the sole discretion of the Bank. Investors do not have the right to require a redemption of Notes in any circumstance. If the Bank exercises the Bank Call Right, the amount payable by the Bank on the Call Date in respect of each Note will be an amount equal to the sum of: (i) the Principal Amount; plus (ii) the Call Coupon of \$16.64. The Call Coupon, if paid on the Call Date, would be equivalent to an annual compound rate of return per Note of approximately 8%.

**If the Bank exercises the Bank Call Right, an Investor’s return will be fixed at \$16.64 per Note and Investors will not receive any Variable Return. The decision to redeem (or not to redeem) the Notes will be made solely by the Bank and may not be advantageous to Investors. An Investor’s return on the Notes, if redeemed pursuant to the Bank Call Right, may be less than if the Bank has not redeemed the Notes and the Notes remained outstanding until the Maturity Date.**

The Bank’s decision as to whether to redeem the Notes on the Call Date pursuant to the Bank Call Right may be influenced by a number of factors, including the prevailing and anticipated level of interest rates on the

Call Date, the price performance of the Assets in the Basket since the Issue Date, changes in the volatility of the Assets in the basket since the Issue Date, and changes in the correlation of the prices of the Assets in the Basket since the Issue Date. In particular, an Investor should note that it is possible that the Bank could decide not to redeem the Notes on the Call Date even if the Asset performance on the Call Date is greater than the Call Coupon of 16.64% (expressed as a percentage of the Principal Amount). Conversely, it is possible that the Bank could decide to redeem the Notes on the Call Date even if the Asset performance on the Call Date is less than the Call Coupon of 16.64% (expressed as a percentage of the Principal Amount). To the extent that, prior to the Call Date, the Bid Price of a Note posted by the Selling Agent approaches or reaches \$116.64, there will be an enhanced likelihood that the Bank would redeem the Notes pursuant to the Bank Call Right.

If the Bank decides to redeem the Notes on the Call Date, it will provide not less than 10 Business Days' prior notice to Investors of its intention to redeem the Notes on the Call Date, in the manner set out under "Description of the Notes — Notification". Payment of the Principal Amount and the Call Coupon will be made by the Bank on the Call Date, provided that if the Call Date does not occur on a Business Day, then payment will be made on the next following Business Day, and no interest or other compensation will be paid in respect of such postponement.

### **Maturity and Principal Repayment**

Subject to the exercise of the Bank Call Right, each Note will mature on the Maturity Date, on which date the Investor will receive a minimum of the Principal Amount of \$100 per Note. If the Maturity Date is not a Business Day for any reason, then the Maturity Date will be deemed to occur on the next following Business Day and no interest or other compensation will be paid to an Investor in respect of such postponement.

### **Variable Return**

Subject to the exercise of the Bank Call Right, each Note will bear Variable Return, if any, as described herein, which Variable Return will be paid on the Maturity Date, subject to acceleration or deferral in the circumstances described under "Description of the Notes — Deferred Payment" and "Description of the Notes — Special Circumstances". Subject to the exercise of the Bank Call Right, the Notes will not bear interest during the term of the Notes but will rather have a Variable Return per Note, if any, payable at maturity, calculated as follows:

$$\text{Variable Return} = \text{Principal Amount} \times \text{Basket Return}$$

The Basket Return will be determined by the sum of the Weighted Asset Returns (each of which may be positive or negative) of the Assets in the Basket. The Weighted Asset Return for any Asset shall be equal to the percentage increase or decrease in the Reference Price of that Asset, measured from the Issue Date to the Calculation Date (multiplied by the Weighting of that Asset), calculated as follows:

$$\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$$

The Final Price of an Asset is its Reference Price on the Calculation Date, subject to the provisions set out under "Description of the Notes — Special Circumstances". The Initial Price of an Asset is its Reference Price on the Issue Date, subject to the provisions set out under "Description of the Notes — Special Circumstances".

**The amount of Variable Return, if any, will depend upon the performance of the Assets. It is possible that no Variable Return will be payable. No Variable Return will be paid unless the Basket Return is greater than zero. See "Risk Factors — No Variable Return May be Payable".**

Variable Return, if any, will generally be paid by the Bank to the Investor only on the Maturity Date. However, the timing, manner of determining and payment of Variable Return may be affected by the occurrence of an Extraordinary Event or a Market Disruption Event and certain other events. See "Description of the Notes — Special Circumstances".

An Investor cannot elect to receive Variable Return, if any, before the Maturity Date.

## Hypothetical Variable Return Examples

The following hypothetical examples are for illustrative purposes only and assume that the Bank Call Right is not exercised. The Initial Price and Final Price of the Assets used in the following hypothetical examples are not estimates or forecasts of the actual Reference Prices of the Assets or the actual performance of the Notes.

### Example 1: Strong Asset Performance

Asset	Initial Price	Final Price	Asset Return	Asset Weighting	Weighted Asset Return
Cameco Shares	57.72	80.00	38.6001%	10%	3.86%
Gasoline	577.25	800.00	38.5881%	20%	7.72%
Natural Gas	7.515	12.000	59.6806%	20%	11.94%
Potash Shares	85.01	140.00	64.6865%	10%	6.47%
S&P GSCI™ Agriculture Index (Excess Return)	69.012	100.000	44.9023%	20%	8.98%
S&P GSCI™ Livestock Index (Excess Return)	375.571	520.000	38.4558%	20%	7.69%
<b>BASKET RETURN</b>					<b>46.66%</b>

- (1) Initial Prices and Final Prices for each Asset are quoted in the currency in which the Asset is quoted.
- (2) Asset Return is the total return over the five year term of the Notes and is not an annual rate of return.

In the above hypothetical example, the sum of the Weighted Asset Returns would have been 46.66%. The Variable Return would be \$46.66 ( $\$100.00 \times 46.66\%$ ). Accordingly, Investors would receive \$146.66 per Note on the Maturity Date, consisting of the \$100 Principal Amount plus Variable Return of \$46.66. **This equates to an average annualized return over the 5 year investment of 7.96%, but would represent a lower compound annual return on the Notes as compared to the 8% compound annual return if the Note were redeemed by the Bank on the Call Date pursuant to the Bank Call Right.** To the extent that, prior to the Call Date, the Bid Price of a Note posted by the Selling Agent approaches or reaches \$116.64, there will be an enhanced likelihood that the Bank would redeem the Notes pursuant to the Bank Call Right.

### Example 2: Weak Asset Performance

Asset	Initial Price	Final Price	Asset Return	Asset Weighting	Weighted Asset Return
Cameco Shares	57.72	55.00	-4.71%	10%	-0.47%
Gasoline	577.25	550.00	-4.72%	20%	-0.94%
Natural Gas	7.515	7.300	-2.86%	20%	-0.57%
Potash Shares	85.01	80.00	-5.89%	10%	-0.59%
S&P GSCI™ Agriculture Index (Excess Return)	69.012	67.000	-2.92%	20%	-0.58%
S&P GSCI™ Livestock Index (Excess Return)	375.571	400.000	6.50%	20%	1.30%
<b>BASKET RETURN</b>					<b>-1.85%</b>

- (1) Initial Prices and Final Prices for each Asset are quoted in the currency in which the Asset is quoted.
- (2) Asset Return is the total return over the five year term of the Notes and is not an annual rate of return.

In the above hypothetical example, because the sum of the Weighted Asset Returns is not positive, Investors would not receive any Variable Return and would only receive the Principal Amount of \$100 per Note on the Maturity Date.

If, following payment of the Variable Return, a correction or change is made by any Price Source to the Initial Price or the Final Price of an Asset used in the determination of an Asset Return, the amount of the Variable Return, if any, will not be changed to reflect such correction or change and the Bank will be under no obligation to pay any additional amount to any Investor.

**Use of Proceeds**

The Net Proceeds will not be held by the Bank in trust for the Investors in any segregated or other account, but rather the Bank will use the Net Proceeds of the Offering for its general banking purposes.

**Secondary Trading of Notes**

**There is currently no market through which the Notes may be sold.** There can be no assurance that a secondary market for the Notes will develop or, if such market does develop, that it will be sustained or liquid. The Notes will not be listed on any stock exchange. However, Investors may be able to sell Notes prior to maturity in any available secondary market. The Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Investors. These efforts will consist of posting a daily Bid Price for the Notes through FundSERV. The Selling Agent may, for any reason, elect not to purchase Notes from any particular Investor. Each sale of a Note to the Selling Agent will be effected at a price equal to: (i) the Bid Price for the Note; minus (ii) any applicable Early Trading Charge. See “FundSERV” for details regarding secondary trading where the Notes are held through participants in FundSERV.

The Bid Price for a Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Note which is payable on maturity; and (ii) the expected value of the Variable Return, if any. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such Bid Price is obtained, the less the Note will be worth. The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the volatility of the Reference Prices of the Assets; (b) the remaining term to maturity of the Notes; (c) changes in the Reference Prices of the Assets since the Issue Date; and (d) various other factors including, but not limited to, prevailing interest rates, and market demand for the Notes. The relationship between these factors is complex and may also be influenced by various political, economic and other factors that can affect the Bid Price of a Note. Due to the method used to price the Variable Return, the value of the Variable Return may be substantially less than the value computed only with reference to the performance of the Assets.

If an Investor sells Notes prior to maturity, the Investor may have to do so at a discount from the Principal Amount even if the performance of the Index has been positive and, as a result, the Investor may suffer losses. See “Risk Factors — Liquidity Risk and Secondary Market”.

**Early Trading Charge**

During the first 630 days following the issuance of the Notes, an Early Trading Charge will apply to any secondary market sale of a Note through the Selling Agent. The Early Trading Charge will be equal to a percentage of the Principal Amount of the Note, determined as follows:

<u>If Sold Within</u>	<u>Early Trading Charge</u>
0-90 days . . . . .	5.50%
91-180 days . . . . .	4.50%
181-270 days . . . . .	3.50%
271-360 days . . . . .	2.50%
361-450 days . . . . .	1.50%
451-540 days . . . . .	1.00%
541-630 days . . . . .	0.50%
Thereafter . . . . .	Nil

**An Investor should be aware that any price for the Notes appearing on his or her monthly or quarterly investment account statement will be BEFORE the application of any applicable Early Trading Charge. An Investor wishing to sell Notes prior to the Maturity Date should consult with his or her investment advisor as to whether an Early Trading Charge is payable and, if so, how much it will be.**

**The Notes are generally not suitable for an Investor who requires liquidity prior to the Maturity Date. An Investor should consult his or her investment advisor as to whether it would be more favorable in the circumstances at any time to sell Notes (assuming the availability of a secondary market) or hold Notes until the Maturity Date. An Investor should also consult his or her tax advisor as to the income tax consequences arising from a sale prior to the Maturity Date as compared to holding the Note until the Maturity Date.**

### **Special Circumstances**

During the term of the Notes, certain events affecting the Assets may occur. Following the occurrence of any such event, the Calculation Agent may be required to make decisions with respect to the Notes relating to the payment and/or calculation of Variable Return, if any, and the valuation of one or more Assets.

In connection with the foregoing, the Calculation Agent will make its calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result; provided, however, that absent manifest error, all of the Calculation Agent's calculations and determinations will be final and binding on Investors, without any liability on the part of the Bank, the Calculation Agent or the Selling Agent, and Investors will not be entitled to any compensation from the Bank, the Calculation Agent or the Selling Agent for any loss suffered as a result of any of the Calculation Agent's calculations or determinations. See "Risk Factors".

#### ***Market Disruption Event***

If the Calculation Agent determines that a Market Disruption Event in respect of an Asset in the Basket has occurred and is continuing on any date that, but for that event, would be a Valuation Date in respect of such Asset, then that Valuation Date will be postponed to the next Business Exchange Day on which there is no Market Disruption Event in effect.

There will be a limit for postponement of any Valuation Date. If, on the eighth Business Day following the date originally scheduled as a Valuation Date, such Valuation Date has not occurred, then, subject as set forth below, notwithstanding the occurrence of any Market Disruption Event in respect of that Asset on or after such eighth Business Day, the Calculation Agent may determine that:

- (i) such eighth Business Day shall be the Calculation Date; and
- (ii) the Reference Price of such Asset for such Valuation Date shall be determined by the Calculation Agent, in its sole discretion, without any liability on the part of the Calculation Agent, taking into account all market circumstances considered by the Calculation Agent to be relevant, acting reasonably (the "MDE Formula").

A Market Disruption Event may delay the determination of a Weighted Asset Return and, consequently, the calculation of Variable Return, if any, payable on the Maturity Date. In such circumstances, the Bank may delay such payment until the tenth Business Day after the Price Return has been determined.

#### ***Adjustments Due to Material Changes***

##### ***Gasoline and Natural Gas***

If, at any time prior to the Maturity Date, there occurs a material change in the content, composition, or constitution of Gasoline or Natural Gas as specified by the applicable Price Source for determining the Reference Price of that Asset, or there is a material change in any formula for or the method of calculating such Reference Price, the Calculation Agent may make such adjustments as the Calculation Agent reasonably determines appropriate, to the Initial Price of that Asset and/or formula for determining the Weighted Asset Return of such Asset to account for such material change.

### *Indices*

If, during the term of the Notes, either of the Indices (in each case, an “Affected Index”) is: (i) not calculated and announced by the Price Source existing on the Issue Date but is subsequently calculated and announced by a Successor Source; or (ii) replaced by a successor index using, in the determination of Calculation Agent, the same or substantially similar formula for and method of calculation as used in the calculation of the Affected Index, then the Affected Index will be deemed to be the index so calculated and announced by the Successor Source or the successor index, as the case may be, and the Variable Return, if any, will be calculated by reference to the Reference Price of that index in accordance with the formula previously set out herein.

If any of the following occurs in respect of either Index (each a “Material Index Change”):

- (i) on or prior to a Calculation Date, a relevant Price Source announces that it will make a material change in the formula for or the method of calculating the relevant Index or in any other way materially modifies the relevant Index (other than a modification prescribed in that formula or method to maintain the relevant Index in the event of routine events) or permanently cancels the relevant Index and no successor index exists;
- (ii) the Bank determines that it has ceased to have full licensing rights to utilize the relevant Index in connection with the Notes; or
- (iii) on the Calculation Date, the Price Source fails to calculate and announce the Reference Price of the relevant Index,

then the Calculation Agent may: (A) determine if such Material Index Change has a material effect on the Variable Return and, if so, shall calculate Variable Return using, in lieu of a published level for the relevant Index, the level for such Index as at the Calculation Date as determined by the Calculation Agent in accordance with the formula for and method of calculation of the relevant Index last in effect prior to the change, failure or cancellation, but using only those commodities that comprised the relevant Index immediately prior to that Material Index Change; or (B) determine if another comparable index exists that: (1) is reasonably representative of the market which was represented by the relevant Index; and (2) may be as efficiently and economically hedged by dealers in such market as such relevant Index was. If the Calculation Agent determines that such other comparable index exists, then such comparable index (the “Replacement Index”) shall replace the relevant Index in the Basket as of the date of such determination. Upon any such replacement (a “Replacement Event”), the Replacement Index shall be deemed to be the relevant Index for purposes of determining Variable Return, if any, and the Calculation Agent shall, as soon as practicable after such Replacement Event, make adjustments to any one or more of the Initial Price of the Replacement Index, the formula for calculating the Weighted Asset Return of the Replacement Index, or any other component or variable relevant to the determination of Variable Return. Adjustments will be made in such a way as the Calculation Agent determines appropriate to account, in the calculation of Variable Return, for the performance of the relevant Index up to the occurrence of such Replacement Event and the subsequent performance of the Replacement Index in replacement thereof thereafter. Upon any Replacement Event and the making of any such adjustment, the Calculation Agent shall promptly give notice and brief details to the Investors.

### *Shares*

Following the announcement by a Company of the terms of any Potential Adjustment Event in respect of its Shares, the Calculation Agent will determine whether such Potential Adjustment Event has a dilutive or concentrative effect on the theoretical value of the relevant Share and, if so, will: (i) make the corresponding adjustments, if any, to any one or more of the Initial Price of such Share, the formula for calculating the Weighted Asset Return of such Share, or any other component or variable relevant to the determination of Variable Return as the Calculation Agent determines appropriate to account for the dilutive or concentrative effect; and (ii) determine the effective date of any such adjustment. The Calculation Agent may (but need not) determine any appropriate adjustments by reference to the adjustments in respect of such Potential Adjustment Event made by an options exchange to options on the relevant Share traded on such options exchange. Save as expressly provided herein, the Calculation Agent will make no adjustment in respect of any distribution of cash.

Upon the Calculation Agent becoming aware of the occurrence of a Substitution Event in respect of a Share in the Basket (the “Deleted Share”), the following will apply, effective on a date as determined by the Calculation Agent (the “Substitution Date”):

- (i) any adjustments applicable to a Potential Adjustment Event in respect of such Share will not apply;
- (ii) the Calculation Agent may choose (in its absolute discretion) a new share (the “Replacement Share”) of a large company listed on a major exchange or market quotation system as a substitute for such Deleted Share;
- (iii) such Deleted Share will be deleted from the Basket and will not be considered as a Share for purposes of determining Variable Return, if any, on or after the Substitution Date;
- (iv) the Replacement Share will be an Asset in the Basket, the issuer of such Replacement Share will be the Company in respect of such Replacement Share, and the primary exchange or market quotation system on which such Replacement Share is listed, quoted or traded, as determined by the Calculation Agent, will be the Price Source in respect of such Replacement Share; and
- (v) the Calculation Agent will determine, in its discretion, the Initial Price of such Replacement Share by taking into account all relevant market circumstances, including the Initial Price of such Deleted Share and the Reference Price or estimated value on the Substitution Date of the Deleted Share and the Reference Price on the Substitution Date of the Replacement Share, and will make adjustments, if any, to any one or more of the formula for calculating the Weighted Asset Return of such Replacement Share, or any other component or variable relevant to the determination of Variable Return, if any, as the Calculation Agent determines appropriate to account for the economic effect on the Notes of the relevant Substitution Event (including adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the applicable substitution).

Upon choosing a Replacement Share, the Calculation Agent will promptly give details of such substitution and brief details of the Substitution Event to the Investors. For greater certainty, the Replacement Share chosen by the Calculation Agent may be any share of a large company or income trust, and may be a company or income trust that was the continuing entity in respect of a Merger Event. The Calculation Agent may decide not to choose a Replacement Share as a substitute for a Deleted Share if the Calculation Agent determines that there are no appropriate shares or units of a large company or income trust listed, quoted or traded on a major exchange or market quotation system which offer sufficient liquidity in order for Scotia Capital to place, maintain or modify hedges in respect of such shares or units, in which case the Calculation Agent may declare an Extraordinary Event, with the consequences described under “Description of the Notes — Special Circumstances — Extraordinary Event”.

On or after a Merger Date or Tender Offer Date in respect of a Share, the Calculation Agent may either: (i) (A) make adjustment(s), if any, to any one or more of the Initial Price of the relevant Share, the formula for calculating the Weighted Asset Return of such Share, or any other component or variable relevant to the determination of Variable Return as the Calculation Agent, in its sole discretion, deems appropriate to account for the economic effect on the Notes of the relevant Merger Event or Tender Offer, which may, but need not, be determined by reference to the adjustments made in respect of such Merger Event or Tender Offer by an options exchange to options on the relevant Shares traded on such options exchange; and (B) determine the effective date of the adjustments; or (ii) if the Calculation Agent determines that no adjustments that it could make under paragraph (i) will produce a commercially reasonable result, the Calculation Agent may designate the relevant Merger Event or Tender Offer to be a Substitution Event in respect of the relevant Share.

#### ***Extraordinary Event***

If the Calculation Agent determines that one or more Extraordinary Events have occurred and the Bank has not given notice of its intention to exercise the Bank Call Right, the Bank may, at its option upon notice to the Investors (the date specified in such notice being the “Extraordinary Event Notification Date”), elect to accelerate the determination of Variable Return, if any, on all outstanding Notes. Upon such election, Variable Return, if any, per Note will be determined and calculated by the Calculation Agent as of the Business Exchange

Day immediately following the Extraordinary Event Notification Date, using the Final Price of each Asset as of such date, subject to the following:

- (i) if a Market Disruption Event is then in effect in respect of an Asset, the Reference Price of that Asset shall be determined in accordance with the MDE Formula; and
- (ii) the Calculation Agent shall make such adjustments, if any, to the formula for calculating Variable Return as the Calculation Agent reasonably determines appropriate to account for the fact that, as a consequence of the occurrence and continuance of an Extraordinary Event, the Final Price is to be determined as of the Business Exchange Day following the Extraordinary Event Notification Date.

In the event of the early determination of the Variable Return, if any, as a consequence of the occurrence of an Extraordinary Event, the Bank may, at its option, elect to: (i) pay the Variable Return, if any, prior to Maturity Date; or (ii) defer payment of the Variable Return, if any, until the Maturity Date. If the Bank elects to pay the Variable Return, if any, prior to the Maturity Date, payment will be made no later than the tenth Business Day after the Extraordinary Event Notification Date.

Notwithstanding the occurrence of an Extraordinary Event, payment of the Principal Amount per Note will not be accelerated and will remain due and payable only on the Maturity Date.

## **Form of the Notes**

### *General*

Each Note will be represented by a global Note representing the entire issuance of Notes. The Bank will issue Notes evidenced by certificates in definitive form to a particular Investor only in limited circumstances.

### *Global Note*

The Bank will issue the registered Notes in a form of the fully registered global Note that will be deposited with a depository (initially being CDS) and registered in the name of such depository or its nominee in a denomination equal to the aggregate Principal Amount of the Notes. Unless and until it is exchanged in whole for Notes in definitive registered form, the registered global Note may not be transferred except as a whole by and among the depository, its nominee or any successors of such depository or nominee.

The Bank anticipates that the following provisions will apply to all arrangements in respect of a depository.

Ownership of beneficial interests in a global Note will be limited to persons, called participants, that have accounts with the relevant depository or persons that may hold interests through participants. Upon the issuance of a registered global Note, the depository will credit, on its book-entry registration and transfer system, the participants' accounts with the respective Principal Amounts of the Notes beneficially owned by the participants. Any dealers participating in the distribution of the Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered global Note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depository, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depository, or its nominee, is the registered owner of a registered global Note, that depository or its nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the registered global Note for all purposes. Except as described below, owners of beneficial interests in a registered global Note will not be entitled to have the Notes represented by the registered global Note registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered the owners or holder of Notes. Accordingly, each person owning a beneficial interest in a registered global Note must rely on the procedures of the depository for that registered global Note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of an Investor. The Bank understands that under existing industry practices, if the Bank requests any action of Investors or if an owner of a beneficial interest in a registered global Note desires to give or take any action that a holder is entitled to give or take in respect of the Notes, the depository for the registered global Note would authorize the participants holding the relevant beneficial interests to give or take that action, and

the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Payments on the Notes represented by a registered global Note registered in the name of a depository or its nominee will be made to the depository or its nominee, as the case may be, as the registered owner of the registered global Note. The Bank will not have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered global Note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

The Bank expects that the depository for any of the Notes represented by a registered global Note, upon receipt of any payment on the Notes, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that registered global Note as shown on the records of the depository. The Bank also expects that payments by participants to owners of beneficial interests in a registered global Note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants.

### *Definitive Notes*

If the depository for any of the Notes represented by a registered global Note is at any time unwilling or unable to continue to properly discharge its responsibilities as depository, and a successor depository is not appointed by the Bank within 90 days, the Bank will issue Notes in definitive form in exchange for the registered global Note that had been held by the depository.

In addition, the Bank may at any time and in its sole discretion decide not to have any of the Notes represented by one or more registered global Notes. If the Bank makes that decision, the Bank will issue Notes in definitive form in exchange for all of the registered global Notes representing the Notes.

Except in the circumstances described above, beneficial owners of the Notes will not be entitled to have any portions of such Notes registered in their name, will not receive or be entitled to receive physical delivery of the Notes in certificated, definitive form and will not be considered the owners or Investor of a global Note.

Any Notes issued in definitive form in exchange for a registered global Note will be registered in the name or names that the depository gives to the Bank or its agent, as the case may be. It is expected that the depository's instructions will be based upon directions received by the depository from participants with respect to ownership of beneficial interests in the registered global Note that had been held by the depository.

The text of any Notes issued in definitive form will contain such provisions as the Bank may deem necessary or advisable. The Bank will keep or cause to be kept a register in which will be recorded registrations and transfers of Notes in definitive form if issued. Such register will be kept at the offices of the Bank, or at such other offices notified by the Bank to Investors.

No transfer of a definitive Note will be valid unless made at such offices upon surrender of the certificate in definitive form for cancellation with a written instrument of transfer in form and as to execution satisfactory to the Bank or its agent, and upon compliance with such reasonable conditions as may be required by the Bank or its agent and with any requirement imposed by law, and entered on the register.

Payments on a definitive Note in the aforementioned register in which registrations and transfers of Notes are to be recorded will be made by cheque mailed to the applicable registered Investor at the address of the Investor appearing if requested in writing by the Investor at least five Business Days before the date of the payment and agreed to by the Bank, by electronic funds transfer to a bank account nominated by the Investor with a bank in Canada. Payment under any definitive Note is conditional upon the Investor first delivering the Note to the Bank which reserves the right, in the case of payment of Variable Return prior to the Maturity Date, to mark on the Note that Variable Return has been paid in full, or, in the case of payment of Variable Return and the Principal Amount under the Note in full, to retain the Note and mark the Note as cancelled.

## Deferred Payment

Federal laws of Canada preclude the charging of interest or other amounts for the advancing of credit at effective rates in excess of 60% per annum. When any payment is to be made by the Bank to an Investor at the Maturity Date, payment of a portion of such payment constituting a Variable Return that would exceed 60% per annum may be deferred to ensure compliance with such laws. In addition, the Bank may withhold a portion of any payment to an Investor that the Bank is legally able or required to withhold. The Bank will pay the portion so deferred to the Investor together with interest at the Bank's equivalent term deposit rate as soon as Canadian law permits.

## Status

The Notes will constitute direct, unsubordinated and unsecured obligations of the Bank ranking *pari passu* among themselves with all other direct, unsecured and unsubordinated indebtedness of the Bank from time to time outstanding. **Investors will not have the benefit of any insurance under the provisions of the *Canada Deposit Insurance Corporation Act* or under any other deposit insurance regime.**

## Credit Rating

**The Notes have not been rated.** As of the date of this Information Statement, the Bank's deposit liabilities with a term of more than one year were rated AA by DBRS, AA- by S&P and Aa1 by Moody's. There can be no assurance that if the Notes were specifically rated by these rating agencies that they would have the same rating as such other deposit liabilities. **A rating is not a recommendation to buy, sell or hold investments, and may be subject to revision or withdrawal at any time by the relevant rating agency.**

## Dealings in Assets

The Bank may from time to time, in the course of its normal business operations, hold Assets or interests linked to any Asset. The Bank and its affiliates may deal in the securities of each of Potash and Cameco and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with Potash or Cameco or any other person or entity having obligations relating to either such company and may engage in proprietary trading in the Assets or in options, futures or derivatives relating to the Assets (including such trading as the Bank may deem appropriate, in its discretion, to hedge any risk in connection with the Notes) and may act with respect thereto in the same manner as it would if the Notes did not exist, regardless of whether any such action may have an adverse effect on the Variable Return, if any, payable in respect of the Notes. The Bank and its affiliates may, whether by virtue of the relationships described above or otherwise, from time to time be in possession of information in relation to any Asset that may not be publicly available or known to Investors, and the Notes do not create an obligation on the part of the Bank or its affiliates to disclose to Investors such relationship or information (whether or not confidential).

## Notification

All notices to Investors regarding the Notes will be given: (i) by wire or fax to the applicable depository (initially being CDS); or (ii) in the case where the Notes are directly registered in the Investors' names and issued in definitive form, by mail or other form of delivery selected by the Bank to the registered addresses of the Investors; provided, however, that any required notice of an Extraordinary Event and any notice of exercise of the Bank Call Right will also be published in the Toronto and national editions of a major daily English language Canadian newspaper with national circulation and in a daily French language newspaper of general circulation in Montreal.

## Amendments to the Notes

The terms of the Notes may be amended without the consent of the Investors by the Bank if, in the reasonable opinion of the Bank, the amendment would not materially and adversely affect the interests of the Investors. In other cases, the terms of the Notes may be amended if the Bank proposes the amendment and if the amendment is approved by a resolution passed by the favourable votes of the Investors holding not less than

66 $\frac{2}{3}$ % of the Notes represented at a meeting convened for the purpose of considering the resolution. The quorum for a meeting of holders is at least two holders represented in person or by proxy holding at least 10% of the Notes outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting will be adjourned to another day, not less than 10 days or more than 21 days later, selected by the Bank and notice will be given to the Investors of such adjourned meeting. The Investors represent at the adjourned meeting will constitute a quorum. Each Investor is entitled to one vote per Note held by such holder for the purposes of voting at meetings.

The Notes do not carry the right to vote in any other circumstances.

### **Investors' Right of Rescission**

A person may rescind any order to buy a Note (or its purchase if issued) within 48 hours of the earlier of actual receipt and deemed receipt of the Information Statement. Upon rescission, the person is entitled to a refund of the Principal Amount. This rescission right does not extend to Investors buying a Note in the secondary market. A person will be deemed to have received the Information Statement: (i) on the day recorded as the time of sending by the server or other electronic means, if provided by electronic means; (ii) on the day recorded as the time of sending by fax, if provided by fax; (iii) five days after the postmark date, if provided by mail, and (iv) when it is received, in any other case.

### **PLAN OF DISTRIBUTION**

Each Note will be issued for a subscription price of 100% of the Principal Amount thereof (\$100 per Note). The subscription price was determined by negotiation between the Bank and the Selling Agent. The Selling Agent is a wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of the Selling Agent under applicable Canadian securities legislation.

The closing of this offering is scheduled to occur on or about August 24, 2007. The Bank may, at any time prior to the Issue Date, in its discretion, elect whether or not to proceed in whole or in part with the issue of the Notes. Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Upon acceptance of a subscription, the Selling Agent will deliver or cause to be delivered a confirmation of acceptance by prepaid mail or other means of delivery to the subscriber.

The Bank will pay selling expenses of \$3.00 per Note to qualified selling group members for selling the Notes. The selling expenses will be paid out of the proceeds of the Offering. The Selling Agent may form a sub-agency group including other qualified selling members and determine the fee payable to the members of such group, which fee will be paid by the Selling Agent out of its own funds. While the Selling Agent has agreed to use its best efforts to sell the Notes offered hereby, the Selling Agent will not be obligated to purchase any Notes which are not sold. For greater certainty, the Selling Agent may purchase Notes offered hereby as principal.

A global Note for the full amount of the Offering will be issued in registered form to CDS and will be deposited with CDS on the Closing Date. Subject to certain exceptions, certificates evidencing the Notes will not be available to Investors under any circumstances and registration of interests in and transfer of Notes will be made through the Book-Entry System of CDS. See "Description of the Notes — Form of the Notes".

In connection with the issue and sale of the Notes by the Bank, no person is authorized to give any information or to make any representation not expressly contained in this Information Statement or the global Note and the Bank does not accept responsibility for any information not contained herein or therein. This Information Statement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. The Notes have not, and will not be, registered under the 1933 Act or any State securities laws and, subject to certain exceptions may not be offered for sale, sold or delivered, directly or indirectly, in the United States, its territories or possessions or to or for the account or benefit of U.S. persons within the meaning of Regulation S under the 1933 Act. In addition, the Notes may not be offered or sold to residents of any jurisdiction or country in Europe.

Dealers may from time to time purchase and sell Notes in any available secondary market but are not obligated to do so. The offering price and other selling terms for such sales in a secondary market may, from time to time, be varied by such dealers.

The Bank reserves the right to issue additional Notes of this series or a series previously issued, and other debt securities which may have terms substantially similar to the terms of the Notes offered hereby, which may be offered by the Bank concurrently with the Notes. The Bank further reserves the right to purchase for cancellation at its discretion any amount of Notes in a secondary market, without notice to Investors.

### **INTEREST ON SUBSCRIPTION PROCEEDS**

Subscription proceeds submitted by Investors in advance of the Issue Date will be held in an account by the Selling Agent and will bear interest at an annual rate equal to 2%. A purchaser of Notes will receive credit for interest accruing on funds so delivered in the form of additional whole Notes. The number of additional Notes for a purchaser would equal the dollar amount of interest that would accrue on the funds delivered at a rate of 2% per annum from the date on which such funds are received, to but excluding the Issue Date, divided by the \$100 purchase price of a Note, rounded down to the nearest whole number. No fractional Notes will be issued. The purchaser will be required to include (in accordance with the detailed rules of the Act relating to the accrual and inclusion of interest), in computing its income for the purposes of the Act, the amount of such interest. Despite the delivery of such funds in respect of an offer to purchase Notes, the Bank reserves the right not to accept any such offer. If for any reason Notes are not issued to a person who has delivered such funds, delivered funds will be forthwith returned together with interest paid in cash at a rate of 2% per annum (calculated from the date the funds are received, to but excluding the date on which such funds are returned), subject to a minimum of \$100 and only in integral multiples of \$100 rounded down to the nearest integral multiple of \$100. The purchaser will be required to include (in accordance with the detailed rules of the Act relating to the accrual and inclusion of interest) in computing its income for the purposes of the Act, the amount of such interest. In any case, whether or not the Notes are issued, no other interest or other compensation will be paid to the purchaser in respect of delivered funds to or to the dealer or financial advisor representing such purchaser. The payment of any interest, whether or not in the form of additional Notes, is the responsibility of the Bank and the Selling Agent has no responsibility for the payment of such interest.

### **FUNDSESV**

#### **General**

Some Investors may purchase Notes through dealers and other firms that facilitate purchase and related settlement through a clearing and settlement service operated by FundSERV Inc. (“FundSERV”). The following FundSERV information is pertinent for such Investors. Investors should consult with their financial advisors as to whether their Notes have been purchased through FundSERV and to obtain further information on FundSERV procedures applicable to those Investors.

Investors should consult their financial advisors as to whether their orders for Notes will be made through FundSERV and any limitations on their ability to purchase Notes through certain registered plans.

FundSERV is owned and operated by both fund sponsors and distributors and provides distributors of funds and certain other financial products (including brokers and dealers who sell investment funds, companies who administer registered plans that include investment funds and companies who sponsor and sell financial products) with online order access to such financial products. FundSERV was originally designed and is operated as a mutual fund communications network facilitating the members in electronically placing, clearing and settling mutual fund orders. In addition, FundSERV is currently used in respect of other financial products that may be sold by financial planners, such as the Notes. FundSERV enables its participants to clear certain financial product transactions between participants, to settle the payment obligations arising from such transactions, and to make other payments between themselves.

#### **FundSERV Notes Held Through Scotia Capital Inc., a CDS Participant**

As stated above, all Notes will initially be issued in the form of a fully registered global Note that will be deposited with CDS. Notes purchased through FundSERV (“FundSERV Notes”) will also be evidenced by that Global Note, as are all other Notes. See “Description of the Notes — Form of the Notes” above for further

details on CDS as a depository and related matters with respect to the Global Note. Investors holding FundSERV Notes will therefore have an indirect beneficial interest in the Global Note. That beneficial interest will be recorded in CDS as being owned by Scotia Capital Inc., as a direct participant in CDS. Scotia Capital Inc. will in turn record in its records respective beneficial interests in the FundSERV Notes. An Investor should understand that Scotia Capital Inc. will make such recordings as instructed through FundSERV by the Investor's financial advisor.

### **Purchase Through FundSERV**

In order to complete the purchase of FundSERV Notes, the full subscription price (i.e., the aggregate Original Principal Amount therefore) must be delivered to Scotia Capital Inc. in immediately available funds by no later than the Issue Date. Despite delivery of such funds, Scotia Capital Inc. reserves the right not to accept any offer to purchase FundSERV Notes. If FundSERV Notes are not issued to the Investor for any reason, such funds will be returned forthwith to the Investor.

A purchaser of Notes will receive credit for interest accruing on funds so delivered in the form of additional whole Notes. If for any reason Notes are not issued to a person who has delivered such funds, delivered funds will be forthwith returned together with interest paid in cash to the prospective purchaser's dealer or financial advisor through FundSERV. See "Interest on Subscription Proceeds" for details, including the tax treatment of such interest. In any case, whether or not the Notes are issued, no other interest or other compensation will be paid to the purchaser in respect of delivered funds to or to the dealer or financial advisor representing such purchaser. The payment of any interest, whether or not in the form of additional Notes, is the responsibility of the Bank and the Selling Agent has no responsibility for the payment of such interest.

### **Sale Through FundSERV**

An Investor wishing to sell FundSERV Notes prior to the Maturity Date is subject to certain procedures and limitations to which an Investor holding Notes through a "full service broker" with direct connections to CDS may not be subject. Any Investor wishing to sell a FundSERV Note should consult with his or her financial advisor in advance in order to understand the timing and other procedural requirements and limitations of selling. An Investor must sell FundSERV Notes by using the "redemption" procedures of FundSERV; any other sale or redemption is not possible. Accordingly, an Investor will not be able to negotiate a sales price for FundSERV Notes. Instead, the financial advisor for the Investor will need to initiate an irrevocable request to "redeem" the FundSERV Note in accordance with the then established procedures of FundSERV. Generally, this will mean the financial advisor will need to initiate such request by 1:00 p.m. (Toronto time) on a Business Day (or such other time as may hereafter be established by FundSERV). Any request received after such time will be deemed to be a request sent and received on the next following Business Day. Sale of the FundSERV Note will be effected at a sale price equal to (i) the "net asset value" of a Note as of the close of business on the applicable Business Day as posted to FundSERV by Scotia Capital Inc., minus (ii) any applicable Early Trading Charge (as outlined under "Secondary Trading of Notes"). The "net asset value" of a Note will factor in accrued interest, if any. The Investor should be aware that, although the "redemption" procedures of FundSERV would be utilized, the FundSERV Notes of the Investor will not be redeemed by Scotia Capital Inc. but rather will be sold in the secondary market to Scotia Capital Inc. In turn, Scotia Capital Inc. will be able in its discretion to sell those FundSERV Notes to other parties at any price, to hold them in its inventory or to arrange for purchase for cancellation by the Bank.

Investors should also be aware that from time to time such "redemption" mechanism to sell FundSERV Notes may be suspended for any reason without notice, thus effectively preventing Investors from selling their FundSERV Notes. Potential Investors requiring liquidity should carefully consider this possibility before purchasing FundSERV Notes.

Scotia Capital Inc. is the "fund sponsor" for the FundSERV Notes within FundSERV. It is required to post a "net asset value" for the FundSERV Notes on a daily basis, which value may also be used for valuation purposes in any statement sent to Investors. See "Description of the Notes — Secondary Trading of Notes" for some of the factors that will determine the "net asset value" or Bid Price of the Notes at any time. The sale price will actually represent Scotia Capital Inc.'s Bid Price for the Notes as of the close of business for the applicable Business Day less any applicable Early Trading Charge. There is no guarantee that the sale price for any day is

the highest bid price possible in any secondary market for the Notes, but will represent Scotia Capital Inc.'s Bid Price generally available to all Investors as at the relevant close of business, including clients of Scotia Capital Inc.

An Investor holding FundSERV Notes should realize that such FundSERV Notes may not be transferable to another dealer, if the Investor were to decide to move his or her investment account to such other dealer. In that event, the Investor would have to sell the FundSERV Notes pursuant to the procedures outlined above.

### CALCULATION AGENT

Scotia Capital will be the Calculation Agent with regard to the Notes. The Calculation Agent will be solely responsible for the determination and calculation of the Asset Returns, the Basket Return, the Variable Return, if any, as well as for making certain other determinations with regard to the Notes and the Assets. All determinations and calculations made by the Calculation Agent will be at the sole discretion of the Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding upon the Investors. The Calculation Agent is obligated to carry out its duties and functions in good faith and using its reasonable judgment. The Calculation Agent may have an economic interest adverse to those of Investors, including with respect to the Bank's hedging arrangements with respect to the Notes and with respect to certain determinations that the Calculation Agent must make, such as determining the Variable Return, if any, the Asset Returns, the Basket Return whether a Market Disruption Event or Extraordinary Event has occurred and in making certain other determinations with respect to the Notes.

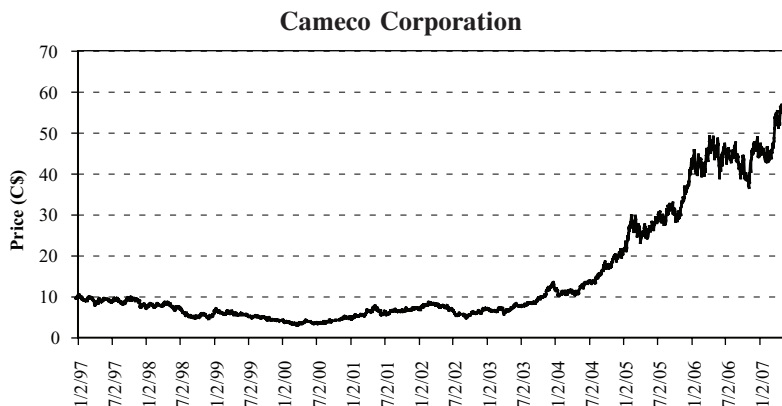
### THE ASSETS

All information in this Information Statement relating to the Assets is derived from publicly available sources and is presented in this Information Statement in summary form. As such, neither the Bank, Scotia Capital Inc. nor any investment dealer, broker or agent selling the Notes assumes any responsibility for the accuracy or completeness of such information. The charts showing historical price performances of the various Assets include, in each case, weekly Reference Prices from and including January 2, 1997 to and including June 28, 2007. Prices displayed in the charts are in U.S. dollars, unless otherwise noted. Historical performance of the Assets is not indicative of the future performance of the Assets or the Notes.

#### Cameco Shares

Cameco Corporation produces uranium. Cameco operates underground uranium mines in Saskatchewan, Canada, in situ leach facilities in Wyoming and Nebraska in the United States, uranium refining and conservation facilities in Ontario, Canada, and a gold mine in Kyrgyzstan, Central Asia. Cameco's products are used to generate electricity in nuclear energy plants around the world. Cameco Shares trade on the Toronto Stock Exchange (the "TSX") under the symbol CCO.

The Reference Price for Cameco Shares on any Pricing Day is that Pricing Day's closing price for a Cameco Share on the TSX, stated in Canadian dollars, as determined and made public by the TSX on such Pricing Day.



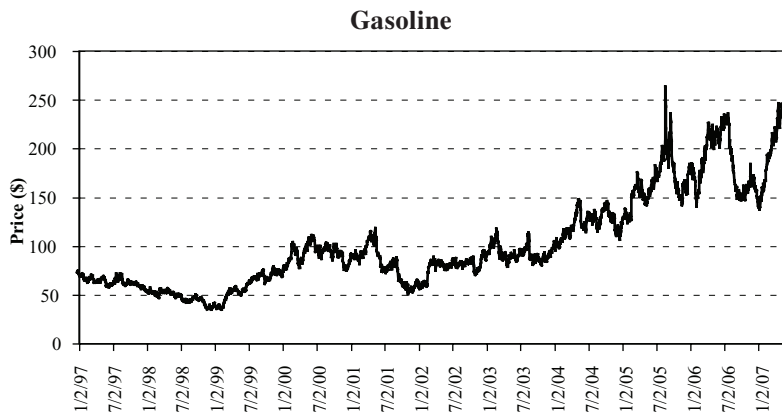
Source: Bloomberg

The chart above shows the weekly Reference Price of Cameco Shares from January 2, 1997 to June 28, 2007. The Reference Price was \$9.00 on January 2, 1997 and \$53.43 on June 28, 2007. The highest Reference Price during this period was \$59.46 and the lowest Reference Price was \$2.48, while the mean Reference Price was \$14.43.

**Gasoline**

Gasoline is a petroleum-derived liquid mixture obtained from distillation, consisting mostly of relatively volatile hydrocarbons and enhanced with benzene or iso-octane to increase octane ratings, used as fuel in internal combustion engines. Currently, gasoline is the most commonly used fuel in vehicles.

The Reference Price for Gasoline on any Pricing Day is that Pricing Day’s closing price per gallon of RBOB Gasoline (reformulated gasoline before oxygenated blending) on the NYMEX of the first futures contract to expire following that Pricing Day, stated in U.S. dollars, as made public by the NYMEX and available on the exchange’s web site [www.nymex.com](http://www.nymex.com) or Reuters page ‘RB’ or Bloomberg page ‘XB1 CMDTY’ on that Pricing Day.



Source: Bloomberg

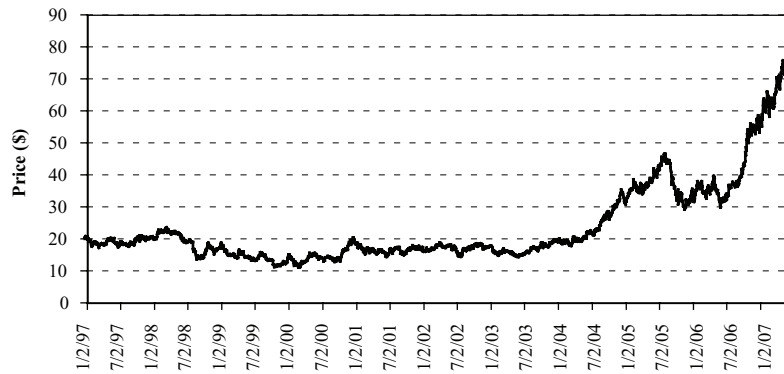
The chart above shows the weekly Reference Price of Gasoline from January 2, 1997 to June 28, 2007. The Reference Price was US\$71.10 on January 2, 1997 and US\$226.67 on June 28, 2007. The highest Reference Price during this period was US\$261.45 and the lowest Reference Price was US\$32.58, while the mean Reference Price was US\$101.07.

**Potash Shares**

Potash Corporation of Saskatchewan Inc. is an integrated producer of fertilizer, industrial and animal feed products. Potash is the world’s largest fertilizer enterprise by capacity, producing the three primary plant nutrients — potash, nitrogen and phosphate. Potash conducts operations in Canada, Chile, the United States, Brazil and Trinidad. The Potash Shares trade on the TSX under the symbol POT.

The Reference Price for Potash Shares on any Pricing Day is that Pricing Day’s closing price for a Potash Share on the TSX, stated in Canadian dollars, as determined and made public by the TSX on such Pricing Day.

### Potash Corporation of Saskatchewan Inc.



Source: Bloomberg

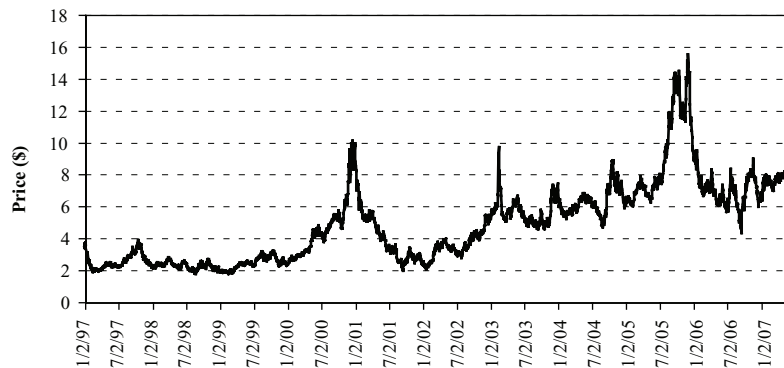
The chart above shows the weekly Reference Price of Potash Shares from January 2, 1997 to June 28, 2007. The Reference Price was \$19.15 on January 2, 1997 and \$81.47 on June 28, 2007. The highest Reference Price during this period was \$85.36 and the lowest Reference Price was \$10.25, while the mean Reference Price was \$23.02.

### Natural Gas

Natural Gas is a natural mixture of gaseous hydrocarbons that occurs with petroleum deposits. The composition of Natural Gas varies in different localities. Its chief component is methane (usually 80-95%) with the remainder comprised of ethane, propane, butane, and other hydrocarbon compounds. It is used as a fuel and in the manufacture of organic compounds.

The Reference Price for Natural Gas on any Pricing Day is that Pricing Day's closing price per MMBTU of natural gas on the NYMEX of the first Henry Hub Natural Gas futures contract to expire following that Pricing Day, stated in U.S. dollars, as determined and made public by the NYMEX and available on the exchange's web site [www.nymex.com](http://www.nymex.com) or Reuters page 'NGc1' or Bloomberg page 'NG1 CMDTY' on that Pricing Day.

### Natural Gas



The chart above shows the weekly Reference Price of Natural Gas from January 2, 1997 to June 28, 2007. The Reference Price was US\$2.89 on January 2, 1997 and US\$6.66 on June 28, 2007. The highest Reference Price during this period was US\$15.38 and the lowest Reference Price was US\$1.63, while the mean Reference Price was US\$4.77.

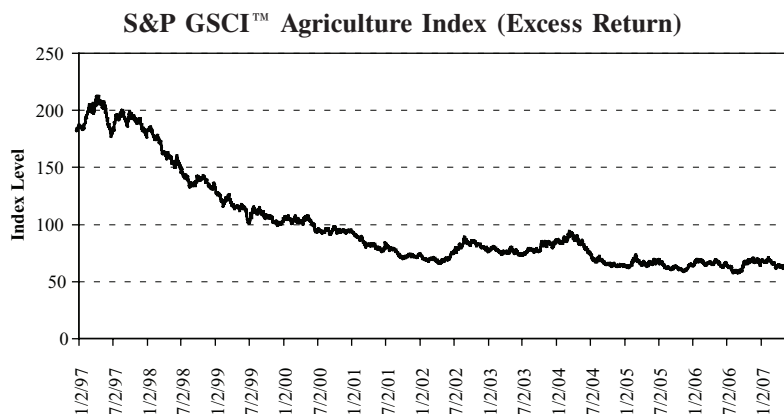
### S&P GSCI™ Agriculture Index (Excess Return)

#### General

The S&P GSCI™ is an index based on a production-weighted basket of physical non-financial commodities that satisfy specified criteria, and is designed to be a measure of the performance over time of the markets for

these commodities. The S&P GSCI™ Agriculture Index (Excess Return) is a sub index of the S&P GSCI™ and, as at July 2, 2007, was comprised of: cocoa (2%), coffee (5%), corn (24%), cotton (8%), soybeans (17%), sugar (8%), wheat (Chicago) (27%) and wheat (Kansas City) (9%).

The Reference Price for the S&P GSCI™ Agriculture Index (Excess Return) on any Pricing Day is that Pricing Day's closing price, stated in U.S. dollars, as made public on Bloomberg page 'SPGSAGP INDEX' on that Pricing Day.



Source: Bloomberg

The chart above shows the weekly Reference Price of the S&P GSCI™ Agriculture Index (Excess Return) from January 2, 1997 to June 28, 2007. The Reference Price was US\$181.50 on January 2, 1997 and US\$65.48 on June 28, 2007. The highest Reference Price during this period was US\$209.97 and the lowest Reference Price was US\$55.40, while the mean Reference Price was US\$96.27.

**The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the S&P GSCI™ Agriculture Index (Excess Return) or the Notes.**

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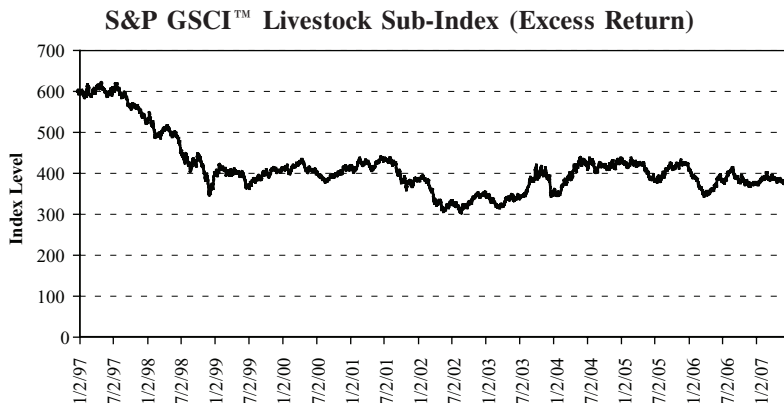
**S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P GSCI™ AGRICULTURE INDEX (EXCESS RETURN) OR ANY DATA INCLUDED THEREIN AND S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE BANK OR OWNERS OF NOTES OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P GSCI™ AGRICULTURE INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P GSCI™ AGRICULTURE INDEX (EXCESS RETURN) OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.**

## S&P GSCI™ Livestock Index (Excess Return)

### General

The S&P GSCI™ is an index based on a production-weighted basket of physical non-financial commodities that satisfy specified criteria, and is designed to be a measure of the performance over time of the markets for these commodities. The S&P GSCI™ Livestock Index (Excess Return) is a sub index of the S&P GSCI™ and was comprised, as at July 2, 2007, of: feeder cattle (13%), live cattle (55%) and lean hogs (32%).

The Reference Price for the S&P GSCI™ Livestock Index (Excess Return) on any Pricing Day is that Pricing Day's closing price, stated in U.S. dollars, as made public on Bloomberg page 'SPGSLVP INDEX' on that Pricing Day.



Source: Bloomberg

The chart above shows the weekly Reference Price of the S&P GSCI™ Livestock Index (Excess Return) from January 2, 1997 to June 28, 2007. The Reference Price was US\$593.45 on January 12, 1997 and US\$368.40 on June 28, 2007. The highest Reference Price during this period was US\$615.79 and the lowest Reference Price was US\$297.04, while the mean Reference Price was US\$408.49.

**The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the S&P GSCI™ Livestock Index (Excess Return) or the Notes.**

### Disclaimer

The Notes are not sponsored, endorsed, sold or promoted by S&P. S&P does not make any representation or warranty, express or implied, to the owners of the Notes or any member of the public regarding the advisability of investing in securities generally or in the Notes particularly or the ability of the S&P GSCI™ Livestock Index (Excess Return) to track general commodity market performance. S&P's only relationship to the Bank is the licensing of certain trademarks and trade names of S&P and of the S&P GSCI™ Livestock Index (Excess Return) which is determined, composed and calculated by S&P without regard to the Bank or the Notes. S&P has no obligation to take the needs of the Bank or the owners of the Notes into consideration in determining, composing or calculating the S&P GSCI™ Livestock Index (Excess Return). S&P is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in the determination or calculation of the equation by which the Notes are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Notes.

**S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P GSCI™ LIVESTOCK INDEX (EXCESS RETURN) OR ANY DATA INCLUDED THEREIN AND S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE BANK OR OWNERS OF NOTES OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P GSCI™ AGRICULTURE INDEX (EXCESS RETURN) OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P GSCI™ LIVESTOCK INDEX (EXCESS RETURN) OR ANY DATA INCLUDED THEREIN. WITHOUT**

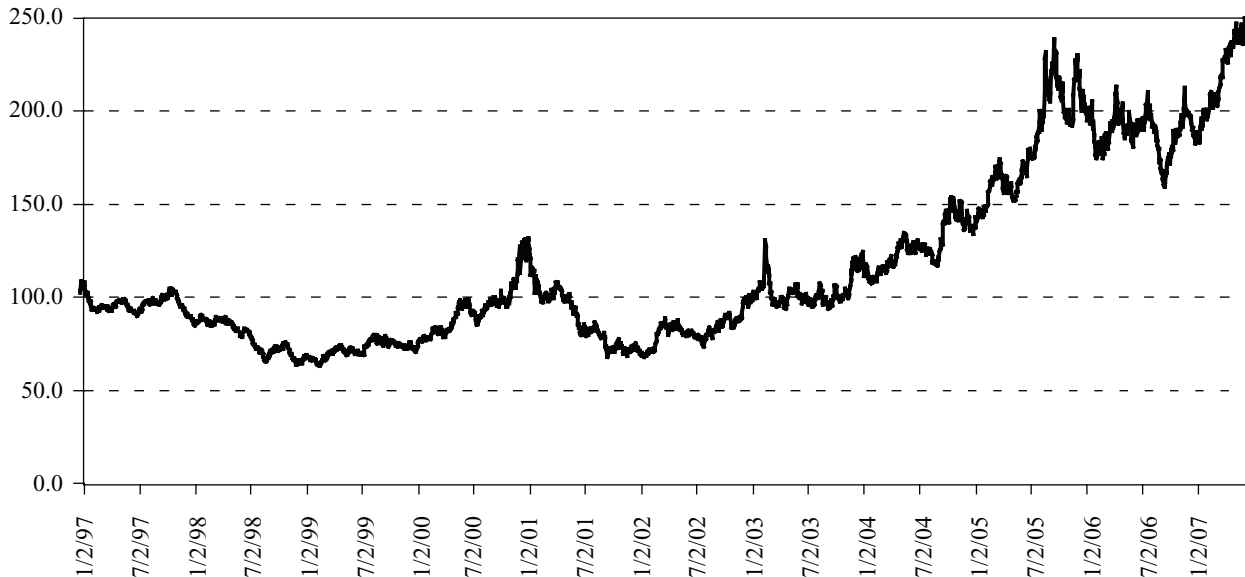
**LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.**

**THE BASKET RETURN**

The following chart shows the Basket's historical daily performance from January 2, 1997 through June 28, 2007. The starting closing value was 100; the lowest closing value was 60.82 on February 26, 1999, the highest closing value was 248.01 on June 15, 2007; and the ending closing value was 231.36. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Basket or the Notes.

**Compound annual return for the Basket of 8.32% over a 10-year period<sup>(1)</sup>**

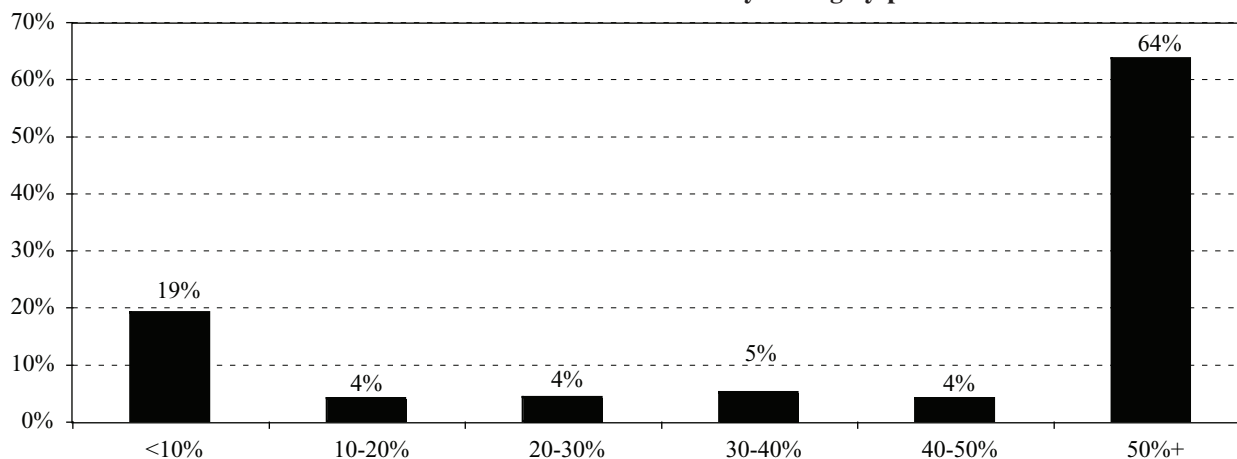
**Basket**



The following chart shows the distribution of daily rolling 5 year annualized returns of the Basket. The average annual return of the Index over daily rolling 5 year periods was 11.2% from January 2, 1997 to December 29, 2006. The chart is a record of historical performance only and should not be taken as an indication or estimate of the future performance of either the Basket or the Notes.

**Distribution of Annual Returns (Daily Rolling 5 Year Periods)<sup>(1)</sup>**

**Distribution of Total Returns over daily rolling 5y periods**



(1) Source: Bloomberg. Past performance of the Assets is not indicative of future performance of the Assets or the Notes.

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Bank, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Notes by an Investor who purchases the Notes at the time of their issuance (an “Initial Investor”). This summary is applicable only to an Initial Investor who is an individual (other than a trust) and, for the purposes of the Act, is a resident of Canada, deals at arm’s length, and is not affiliated, with the Bank and holds the Notes as capital property. The Notes will generally be considered to be capital property to an Initial Investor unless: (i) the Initial Investor holds the Notes in the course of carrying on or otherwise as part of a business of trading or dealing in or buying and selling securities; or (ii) the Initial Investor acquired the Notes as an adventure in the nature of trade. The determination of whether the Notes are held as capital property for purposes of the Act should take into account, among other factors whether the Notes are acquired with the intention or secondary intention of selling them prior to the Maturity Date. Certain Initial Investors resident in Canada whose Notes might not otherwise be considered to be capital property or who desire certainty with respect to the treatment of the Notes as capital property may be entitled to make an irrevocable election to have the Notes and all of the Initial Investor’s other “Canadian securities” deemed to be capital property pursuant to subsection 39(4) of the Act. This summary does not apply to an Initial Investor that is a corporation, partnership or trust, nor does it apply to the payment or credit of interest on the subscription price described under the heading “Interest on Subscription Proceeds”.

This summary is based on the current provisions of the Act and the regulations thereunder as in force on the date hereof (the “Regulations”), counsel’s understanding of the current administrative and assessing practices of the Canada Revenue Agency (the “CRA”) published in writing prior to the date hereof and all specific proposals to amend the Act and regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (“Tax Proposals”) and assumes all Tax Proposals will be enacted substantially as proposed; however, no assurance can be given that the Tax Proposals will be enacted as proposed or at all. This summary does not, except for the Tax Proposals, otherwise take into account or anticipate any changes in law or the CRA’s administrative or assessing practices, whether by legislative, governmental or judicial decision or action. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Notes and does not take into account provincial, territorial or foreign income tax legislation or considerations, which are not addressed in this summary.

**This summary is of a general nature only and is not intended to be legal or tax advice to any Investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Notes, based on their particular circumstances.**

### **Variable Return and Call Coupon**

A Note is a “prescribed debt obligation” within the meaning of the Act. The rules in the Regulations applicable to a prescribed debt obligation generally require a taxpayer to accrue the amount of any interest, bonus or premium receivable in respect of the obligation over the term of the obligation, based on the maximum amount of interest, bonus or premium that could be payable on the obligation. Based in part on the CRA’s administrative practice with regard to prescribed debt obligations, there should generally be no deemed accrual of the Variable Return or of the Call Coupon on the Notes under these provisions prior to the Maturity Date, provided that no Extraordinary Event has occurred and that the Bank has not given notice of its intention to exercise the Bank Call Right.

When in a particular taxation year, as a result of an Extraordinary Event the Variable Return is determined but the Bank elects to defer the payment of the Variable Return until the Maturity Date, the portion of the Variable Return that has accrued from the date of purchase of the Note up to the anniversary date of the Note in that particular taxation year generally will be required to be included in the Initial Investor’s income, except to the extent that the amount was otherwise included in income for the taxation year or a preceding taxation year. Thereafter, in each of the following taxation years, the annual accrual rules in the Regulations applicable to a prescribed debt obligation will generally apply to include in the Initial Investor’s income, a portion of the Variable Return.

When in a particular taxation year, as a result of an Extraordinary Event the Variable Return is determined and is paid to an Initial Investor by the Bank prior to the Maturity Date, the full amount of such payment will generally be required to be included in the Initial Investor’s income in the taxation year of the Initial Investor in which the Variable Return becomes calculable except to the extent that the amount was otherwise included in the Initial Investor’s income for that or a preceding year.

When in a particular taxation year, the Bank has given notice of its intention to exercise the Bank Call Right, the portion of the Call Coupon that has accrued from the date of purchase of the Note up to the anniversary date of the Note in that particular taxation year generally will be required to be included in the Initial Investor’s income, except to the extent otherwise included in income for the taxation year or a preceding taxation year. Thereafter, in each subsequent taxation year to and including the taxation year of the Initial Investor that includes the Call Date, the annual accrual rules in the Regulations applicable to a prescribed debt obligation will generally apply to include in the Initial Investor’s income, a portion of the Call Coupon.

### **Disposition of Notes**

On a disposition to the Bank of a Note at the Call Date, an Initial Investor will be required to include in income for the taxation year in which the disposition occurs, the amount of the Call Coupon, except to the extent otherwise included in income for the taxation year or a preceding taxation year. The Initial Investor will realize a capital gain (or a capital loss) to the extent that the proceeds received from the Bank, less the Call Coupon so included in income, exceed (or are less than) the aggregate of the Initial Investor’s adjusted cost base of the Note and any reasonable costs of disposition.

On a disposition to the Bank of a Note at the Maturity Date, an Initial Investor will be required to include in income for the taxation year in which the disposition occurs, the amount, if any, of the Variable Return, except to the extent otherwise included in income in the taxation year or a preceding taxation year. The Initial Investor will realize a capital gain (or a capital loss) to the extent that the proceeds received from the Bank, less the Variable Return so included in income, exceed (or are less than) the aggregate of the Initial Investor’s adjusted cost base of the Note and any reasonable costs of disposition.

In certain circumstances, where an Initial Investor assigns or otherwise transfers a debt obligation (other than as a consequence of a repayment at the Maturity Date or the Call Date) the amount of interest accrued on the debt obligation to that time, but unpaid, will be excluded from the proceeds of disposition of the obligation and will be required to be included as interest in computing the Initial Investor’s income for the taxation year in which the transfer occurs, except to the extent that it has been otherwise included in income for that year or a

preceding year. Other than in the event of an Extraordinary Event or the Bank giving notice of its intention to exercise the Bank Call Right, there should generally be no amount in respect of the Variable Return or the Call Coupon that will be treated as accrued interest on an assignment or transfer of a Note prior to the Maturity Date. Except as described above regarding a payment at the Maturity Date or the Call Date by the Bank, while the matter is not free from doubt, an amount received by an Initial Investor on a disposition or deemed disposition of a Note should give rise to a capital gain (or capital loss) to the extent proceeds of disposition exceed (or are less than) the aggregate of the Initial Investor's adjusted cost base of the Note and any reasonable costs of disposition. **Initial Investors who dispose of Notes prior to the Maturity Date should consult their tax advisors with respect to their particular circumstances.**

One-half of a capital gain realized by an Initial Investor must be included in the income of the Initial Investor. One-half of a capital loss realized by an Initial Investor is deductible against the taxable portion of capital gains realized in the year, in the three preceding years or in subsequent years, subject to and in accordance with the rules in the Act.

Capital gains realized by an individual may give rise to a liability for alternative minimum tax under the Act.

### **Information Returns**

The Bank will file an information return with the CRA in respect of an amount to be included in an Initial Investor's income as described above, other than an amount with respect to an assignment or transfer of Notes to a person other than the Bank, and will provide the Initial Investor with a copy of such return.

### **DESCRIPTION OF THE BANK**

The Bank was granted a charter under the laws of the Province of Nova Scotia in 1832, and commenced operations in Halifax, Nova Scotia in that year. Since 1871, the Bank has been a chartered bank under the *Bank Act* (Canada) (the "Bank Act"). The Bank is a Schedule 1 bank under the Bank Act and the Bank Act is its charter. The head office of the Bank is located at 1709 Hollis Street, Halifax, Nova Scotia and the executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1. A copy of the Bank's by-laws are available on [www.sedar.com](http://www.sedar.com).

The Bank is one of North America's premier financial institutions and Canada's most international bank. The Bank is a full-service financial institution, active in both domestic and international markets. In Canada, the Bank provides a full range of retail, commercial, corporate, investment and wholesale banking services through its extensive network of branches and offices across Canada. With close to 57,000 employees, the Bank and its affiliates have branches and offices serving almost 12 million customers in some 50 countries, which provide a wide range of banking and financial services, either directly or through subsidiary and associated banks, trust companies and other financial institutions.

The Bank has three major business lines: Domestic Banking, International Banking and Scotia Capital. Each of these three business lines is discussed below and additional information on each of the Bank's business lines is available in the 2006 Management's Discussion and Analysis found on page 42 of the Annual Report.

### **Domestic Banking**

The Bank's Domestic Banking business line provides a full range of banking and investment services to retail and small business banking, commercial and wealth management customers across Canada. Retail Banking provides a full range of financial products and services to nearly 7 million customers through a multi-channel domestic delivery network that includes 972 branches; 2,742 automated banking machines ("ABMs"); telephone, wireless and internet banking; three call centres, 100 wealth management branches, four dealer finance centres; and six commercial and business banking centres. Retail and Small Business Banking supplies mortgages, loans, credit cards, investments, insurance and day-to-day banking products to individuals and small businesses. Wealth Management provides a full range of products and services including: retail brokerage (discretionary, non-discretionary and self-directed); investment management advice; mutual funds and savings products; and financial planning and private client services for affluent clients. Commercial Banking delivers a full product suite to medium and large businesses.

## **International Banking**

The Bank's International Banking business line operates in more than 40 countries and includes operations in the following geographic regions: the Caribbean and Central America, Mexico, Latin America, and Asia. International Banking includes the Bank's retail and commercial banking operations outside of Canada. Including the Bank's subsidiaries and affiliates, more than 27,100 employees worldwide provide a full range of services to over 4.7 million customers. In the Caribbean and Central America, the Bank operates in 25 countries with 372 branches and offices and a network of 844 ABMs and employs over 11,200 staff. In Mexico, Grupo Financiero Scotiabank Inverlat, S.A. de C.V. is the sixth-largest financial group in the Mexican banking system, serving more than 1.4 million customers through 494 branches and offices, and has a network of 1,122 ABMs, nearly 7,400 employees and a significant portion of the rapidly expanding mortgage and automotive financing markets. In Latin America, the Bank's holdings include Scotiabank Sud Americano, S.A. in Chile, Scotiabank Peru S.A.A. and an affiliate in Venezuela. In Chile, the Bank operates 53 branches and offices and provides personal, commercial and corporate banking services. The Bank expanded its operations in Peru in 2006, which resulted in 77.57% ownership of the third-largest bank in the country, with 140 branches and other operations. In the Asia Pacific region, the Bank operates in nine countries with 24 branches and offices. Current activities are focused on commercial banking and trade finance, along with some wholesale banking.

## **Scotia Capital**

Scotia Capital provides full service wholesale banking to corporate, government and institutional clients across the NAFTA region as well as other selected niche markets globally. Scotia Capital has 18 offices and more than 300 relationship managers who are organized primarily around industry specialties. Scotia Capital is organized into two main businesses. Global Corporate and Investment Banking is organized geographically with four groups: Canadian Corporate and Investment Banking; United States Corporate; Europe Corporate; and Mexico Wholesale. In Canada, Scotia Capital provides wholesale banking services. In Mexico, Scotia Capital offers a full suite of wholesale products, as well as cash management, trade finance and correspondent banking to our Mexico-based clients. The United States and European units provide corporate lending products as well as select non-lending products. Global Capital Markets represents the Bank's trading businesses and operates in Canada, the United States, Mexico, Western Europe and Asia. Global Capital Markets specializes in fixed income, derivatives, foreign exchange, and equity sales, trading and research, and through ScotiaMocatta, precious metals.

## **RISK FACTORS**

### **Suitability of Notes for Investment**

A person should reach a decision to invest in the Notes only after carefully considering, with his or her investment, legal, accounting, tax and other advisors, the suitability of the Notes in light of his or her investment objectives and the information set out in this Information Statement. For instance, an investment in a Note is not suitable for a person seeking a guaranteed or fixed rate of return. The Bank, the Calculation Agent and the Selling Agent make no recommendation as to the suitability of the Notes for investment by any particular person. The Notes have certain investment characteristics that differ from fixed income investments. Absent special circumstances, the Notes will not provide Investors with a Variable Return prior to the Maturity Date, and may not provide a return in excess of the Principal Amount at the Maturity Date. Therefore, an investment in the Notes is only suitable for Investors prepared to assume risks with an investment whose return is tied to the performance of the Assets. The Principal Amount is only repaid if the Notes are held to the Maturity Date or the Bank Call Right is exercised. The Notes are not conventional indebtedness. The Notes could produce no yield. Therefore, the Notes are not suitable investments for Investors who need or expect certainty of yield.

## **Comparison to Other Obligations**

The terms of the Notes differ from those of ordinary obligations or debt instruments, in that a return, if any, is payable on the Notes only at the Maturity Date in most circumstances and only to the extent that the Basket Return is greater than zero. Whether the Basket Return will be greater than zero is contingent on events that are inherently difficult to predict and which are beyond the Bank's control. Accordingly, there can be no assurance that the Basket Return will be greater than zero, or that more than the Principal Amount will ever be payable with respect to the Notes. Moreover, the value of an investment in the Notes may diminish over time owing to inflation and other factors that adversely affect the present value of future payments. Accordingly, an investment in the Notes may result in a lower return when compared to alternative investments.

## **No Guaranteed Return on Notes**

While an Investor is entitled to payment on the Maturity Date which cannot be less than the Principal Amount of the Note, the Notes do not bear a fixed rate of interest and there can be no assurance that the Notes will bear any return. Historical returns on the Assets should not be considered as an indication of the future performance of the Notes. No assurance can be given, and none is intended to be given, that any Asset will appreciate in the period during which the Notes are outstanding and that any Variable Return will be achieved on the Notes at the Maturity Date.

## **Pledging**

The ability of an Investor to pledge the Notes or otherwise take action with respect to such Investor's interest in such Notes (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

## **No Variable Return May Be Payable**

Variable Return, if any, payable on the Notes is directly linked to the Weighted Asset Returns (each of which may be positive or negative). Unless the Basket Return is positive at maturity, no Variable Return will be payable on the Notes. See "Description of the Notes — Variable Return".

## **Historical Performance of an Asset is not an Indication of Future Performance**

Variable Return, if any, will be determined on the basis of the performance of the Assets. The historical performance of an Asset is not indicative of the future performance of that Asset or the Notes, which is impossible to predict.

## **Risks Relating to the Assets**

It is impossible to predict whether the Reference Price of an Asset will increase or decrease over the term of the Notes. Reference Prices of the Assets will be influenced by both complex and interrelated political, economic, financial and other factors that can affect the commodity markets generally and by various circumstances that can influence the value of a particular commodity.

## **Composition of the Indices**

As of July 2, 2007, the commodities comprising the S&P GSCI™ Agriculture Index (Excess Return) and their relative weightings within the S&P GSCI™ Agriculture Index were as follows: cocoa (2%); coffee (5%); corn (24%); cotton (8%); soy beans (17%); sugar (8%); wheat (Chicago) (27%); and wheat (Kansas City) (9%). The S&P GSCI™ Livestock Index (Excess Return), in turn, is based on the following commodities, with the weighting of each such commodity therein as of July 2, 2007 shown in parenthesis: feeder cattle (13%); live cattle (55%); and lean hogs (32%). There is no assurance that the commodities comprising either of the Indices, and their relative weightings therein, will not change from time to time during the term of the Notes. Any such changes may be material.

## **Liquidity Risk and Secondary Market**

The Principal Amount and Variable Return, if any, per Note are only payable at maturity (subject, in the case of Variable Return, to the occurrence of an Extraordinary Event or a Market Disruption Event and deferral

of payment in certain circumstances). An Investor cannot elect to receive Variable Return prior to the Maturity Date. The Notes will not be listed on any stock exchange. However, the Selling Agent intends to use reasonable efforts to initiate and maintain a secondary market for the Notes, but reserves the right not to do so in the future in its sole discretion, without providing prior notice to the Investors. These efforts will consist of posting a daily Bid Price for the Notes through FundSERV. The Selling Agent may, for any reason, elect not to purchase Notes from any particular Investor. Investors may sell the Notes in any such secondary market prior to maturity. The Bid Price for a Note will be affected by a number of factors, the most important of which are: (i) the Principal Amount of the Note which is payable on maturity; and (ii) the expected value of the Variable Return. Generally the longer the term to maturity, and the higher the prevailing interest rates at the time such Bid Price is obtained, the less the Note will be worth. The expected value of the Variable Return will be a function of a number of variables, including but not limited to: (a) the volatility of the Reference Prices of the Assets; (b) the remaining term to maturity; (c) the change in Reference Prices of the Assets since the Issue Date; and (d) various other factors including, but not limited to, prevailing interest rates, and market demand for the Notes. The relationship between these factors is complex and may also be influenced by various political, economic and other factors that can affect the Bid Price of a Note. Due to the method used to price the Variable Return, the value of the Variable Return may be substantially less than the value computed only with reference to the performance of the Assets. If an Investor sells Notes prior to maturity, the Investor may have to do so at a discount from the Principal Amount even if the performance of the Assets, generally, has been positive and, as a result, the Investor may suffer losses. An Investor who sells a Note prior to the Maturity Date may have to pay an Early Trading Charge of up to 5.50% of the Principal Amount of the Note.

### **Bank Call Right**

The Bank's right to redeem the Notes may limit the Investor's return on the Notes. If the Bank redeems the Notes on the Call Date, the Bank will pay the Investor the Principal Amount plus the Call Coupon. The Call Coupon is a fixed rate of 16.64% of the Principal Amount (equivalent to an annual compound rate of return of approximately 8%) and will not depend on the price performance of the Assets in the Basket. The decision to redeem (or not to redeem) the Notes will be made solely by the Bank and may not be advantageous to Investors. An Investor's return on the Notes may be less than if the Bank had not redeemed the Notes and the Notes remained outstanding until the Maturity Date. In addition, if the Bank redeems the Notes, an Investor may not be able to reinvest the proceeds the Investor receives at that time in an investment having a comparable yield. To the extent that, prior to the Call Date, the Bid Price of a Note posted by the Selling Agent approaches or reaches \$116.64, there will be an enhanced likelihood that the Bank would redeem the Notes pursuant to the Bank Call Right.

### **Potential Conflicts of Interest between the Investor and The Bank of Nova Scotia**

The Bank is the issuer of the Notes. Scotia Capital will, as the Calculation Agent, calculate the amount, if any, of Variable Return paid to Investors at maturity. The Calculation Agent may also be required to exercise its judgment in relation to the Notes from time to time. For example, the Calculation Agent may have to determine whether a Market Disruption Event or Extraordinary Event has occurred, and may, as a consequence, have to make certain calculations and determinations. While the Calculation Agent is required to make such calculations and determinations in good faith and using commercially reasonable procedures in order to produce a commercially reasonable result, absent manifest error, all of the Calculation Agent's calculations and determinations will be final and binding on Investors, without any liability on the Calculation Agent's, the Selling Agent's or the Bank's part, and Investors will not be entitled to any compensation from the Bank, the Calculation Agent or the Selling Agent for any loss suffered as a result of any of the Calculation Agent's calculations and determinations. Since the Calculation Agent's calculations and determinations may affect the market value of the Notes, the Bank may have a conflict of interest if the Calculation Agent needs to make any such calculations and determinations.

Since the Bank and the Calculation Agent may be the same person, the Calculation Agent may have an economic interest adverse to those of Investors, including with respect to the Bank's hedging arrangements with respect to the Notes and with respect to certain determinations that the Calculation Agent must make including, without limitation, whether a Market Disruption Event or an Extraordinary Event has occurred and in making other determinations with respect to the Assets. The Bank and its affiliates may also deal in any of the Assets

and in the commodities underlying the Indices and may act with respect to such business in the same manner as it would if the Notes did not exist, regardless of whether any such action might have an adverse effect on the Reference Prices of the Assets on any Valuation Date and, thus, the Variable Return, if any, payable in respect of the Notes. The Bank and its affiliates may, from time to time, be in possession of information in relation to any Asset or any commodity underlying the Indices that may not be publicly available or known to Investors, and the Notes do not create an obligation on the part of the Bank or its affiliates to disclose to Investors such information (whether or not confidential).

### **Market Disruption Event**

If a Market Disruption Event in respect of an Asset occurs on a Valuation Date, the determination of the Reference Price for that Asset on such date (and, possibly, any subsequent payment of Variable Return, if any) may be delayed. Fluctuations in the Reference Price of the affected Asset may occur in the interim. If the Calculation Agent determines that a Market Disruption Event in respect of an Asset in the Basket has occurred and is continuing on any date that but for that event would be a Valuation Date in respect of such Asset, then Variable Return, if any, will be calculated (and the applicable Reference Price will be determined) on the basis that such Valuation Date will be postponed to the next Business Exchange Day on which there is no Market Disruption Event in effect in respect of such Asset. See “Description of the Notes — Special Circumstances — Market Disruption Event”.

### **Extraordinary Event**

If the Calculation Agent determines that an Extraordinary Event has occurred, the Bank may, at its option upon notice to the Investors to be given effective on the Extraordinary Event Notification Date, elect to accelerate the determination of the Variable Return, if any, on all outstanding Notes. If so, the Bank may, at its option, elect to pay the Variable Return, if any, prior to the Maturity Date or to defer such payment until the Maturity Date. In such circumstances, the Variable Return, if any, may be less than the Variable Return, if any, that would otherwise have been payable had the Extraordinary Event not occurred. However, in no event will the Principal Amount of a Note be paid prior to the Maturity Date. See “Description of the Notes — Special Circumstances — Extraordinary Event”.

### **Adjustments In Special Circumstances**

In certain circumstances the Calculation Agent may adjust any one or more of the Initial Prices for the Assets, the formula for calculating an Asset Return, or another component or variable relevant to the determination of Variable Return to account equitably for those circumstances. In addition, in certain circumstances, the Calculation Agent may substitute one or more of the Assets in the Basket that are Shares or Indices with different securities or indices. See “Description of the Notes — Special Circumstances”.

### **Credit Risk**

Because the obligation to make payments to Investors is an obligation of the Bank, the likelihood that such Investors will receive the payments owing to them in connection with the Notes will be dependent upon the financial health and creditworthiness of the Bank.

### **Changes in Legislation**

There can be no assurance that income tax, securities and other laws will not be amended or changed in a manner which adversely affects Investors.

### **No Deposit Insurance**

The Notes will not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act* or any other deposit insurance regime. Therefore, an Investor will not be entitled to Canada Deposit Insurance Corporation protection.

## **Deferral of Payment**

Payment of Variable Return, if any, in respect of the Notes may be deferred beyond the Maturity Date to ensure compliance with Canadian laws governing interest rates.

## **Economic and Regulatory Issues**

Changes in economic conditions, including, for example, interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, war, tax laws and innumerable other factors, can affect substantially and adversely the Reference Prices of the Assets. None of these conditions are within the control of the Bank.

The Notes are not subject to Canadian securities laws. Accordingly, Investors do not have the same rights of action with respect to the disclosure in this Information Statement that a prospectus would provide. No securities commission or similar authority has in any way passed upon the merits of investing in the Notes or the information contained in the Information Statement.

## **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Information Statement from documents filed by the Bank with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference may be obtained on request without charge from the Executive Vice-President, General Counsel and Secretary, The Bank of Nova Scotia, Scotia Plaza, 44 King Street West, Toronto, Ontario M5H 1H1, telephone: (416) 866-3672.

The following documents are specifically incorporated by reference into, and form an integral part of, this Information Statement:

- (a) the Bank's Annual Information form dated December 19, 2006;
- (b) the Bank's consolidated financial statements as at and for the years ended October 31, 2006 and 2005 together with the auditors' report thereon, including management's discussion and analysis of financial conditions and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2006;
- (c) the Bank's Management Proxy Circular accompanying its notice of meeting dated January 15, 2007; and
- (d) the Bank's consolidated financial statements as at and for the six month period ended April 30, 2007, including management's discussion and analysis of financial conditions and results of operations as contained in the Bank's 2007 Second Quarter Report to Shareholders.

**Any documents of the type referred to in the preceding paragraph and any unaudited interim financial statements for three, six or nine months financial periods, any information circulars; any material change reports (excluding confidential material change reports), news release containing financial information concerning the Bank for period following October 31, 2006 and any business acquisition reports for acquisitions completed after October 31, 2006 filed by the Bank with a securities regulatory authority in Canada after the date of this Information Statement and prior to the completion or withdrawal of this Offering, are deemed to be incorporated by reference in this Information Statement.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this Information Statement shall be deemed to be modified or superseded for purposes of this Information Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Statement.**

## GLOSSARY

“**Act**” means the *Income Tax Act* (Canada).

“**Affected Index**” has the meaning ascribed thereto under “Description of the Notes — Special Circumstances — Adjustments Due to Material Changes”.

“**Asset**” means each of Cameco Shares, Gasoline, Natural Gas, Potash Shares, the S&P GSCI™ Agriculture Index (Excess Return) and the S&P GSCI™ Livestock Index (Excess Return) (collectively the “Assets”).

“**Bank**” means The Bank of Nova Scotia.

“**Bank Call Right**” means the right of the Bank, at its option, to redeem all outstanding Notes on the Call Date.

“**Basket**” means, collectively, each “Asset”.

“**Basket Return**” means the sum of the Weighted Asset Returns for each of the Assets in the Basket as determined by the Calculation Agent, provided that if such sum does not exceed zero, then the Basket Return shall be zero.

“**Bid Price**” has the meaning ascribed thereto under “Description of the Notes — Secondary Trading of Notes”.

“**Business Day**” means a day, other than a Saturday, Sunday or statutory holiday in Ontario, on which the Bank is open for domestic business in Toronto, Ontario.

“**Business Exchange Day**” means any day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time, that is also a Business Day.

“**Calculation Agent**” means Scotia Capital.

“**Calculation Date**” means the second Business Exchange Day prior to the Maturity Date, subject to the provisions set out under “Description of the Notes — Special Circumstances”.

“**Call Coupon**” means \$16.64 per Note.

“**Call Date**” means August 24, 2009.

“**Cameco**” means Cameco Corporation.

“**Cameco Shares**” means common shares of Cameco.

“**Companies**” means, initially, Cameco and Potash and “**Company**” means either of them.

“**DBRS**” means Dominion Bond Rating Service, Limited.

“**Deleted Share**” has the meaning ascribed thereto under “Description of the Notes — Special Circumstances — Adjustments Due to Material Changes”.

“**Delisting**” means, in respect of a Share, that the relevant Exchange announces that, pursuant to the rules of such exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on such Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange.

“**Early Trading Charge**” has the meaning ascribed thereto under “Description of the Notes — Early Trading Charge”.

“**Exchange**” means, in respect of Gasoline and Natural Gas, the NYMEX and, in respect of the Shares, the TSX; subject to the provisions set out under “Description of the Notes — Special Circumstances”.

“**Exchange Disruption**” has the meaning ascribed thereto under “Description of the Notes — Special Circumstances”.

“**Extraordinary Event**” means any of the following events that occurs on or after the Issue Date and prior to the Maturity Date where the Calculation Agent, acting in its sole and absolute discretion, has determined to designate such event as an “Extraordinary Event”: (i) the Bank is unable to effectively acquire, establish, reestablish, substitute, maintain or unwind any hedge transaction in connection with the Offering of Notes or to realize, recover or remit the proceeds of any such hedging transaction; (ii) an increase in the cost of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction entered into connection with the Offering of Notes or in the cost of realizing, recovering or remitting the

proceeds of any such hedging transaction; (iii) as a result of any adoption of, or any change in, any law, order, regulation, decree or notice, or issuance of any directive or promulgation of, or any change in the interpretation, whether formal or informal, by any court, tribunal, regulatory authority or similar administrative or judicial body of any law, order, regulation, decree or notice, after such date or as a result of any other event it would become unlawful for the Bank to acquire, establish, re-establish, substitute, maintain or unwind any hedge transaction entered into in connection with the Offering of Notes; or (iv) a Substitution Event occurs and the Calculation Agent fails or is unable to choose a Replacement Share.

**“Extraordinary Event Notification Date”** has the meaning ascribed thereto under “Description of the Notes — Special Circumstances — Extraordinary Event”.

**“Final Price”** means in respect of an Asset, the Reference Price of the Asset on the Calculation Date, as determined by the Calculation Agent, subject to the provisions set out under “Description of the Notes — Special Circumstances”.

**“Indices”** means the S&P GSCI™ Agriculture Index (Excess Return) and the S&P GSCI™ Livestock Index (Excess Return) and **“Index”** means any one of them.

**“Initial Investor”** has the meaning ascribed thereto under “Certain Canadian Federal Income Tax Considerations”.

**“Initial Price”** means, in respect of an Asset, the Reference Price of the Asset on the Issue Date as determined by the Calculation Agent, provided that, if the Issue Date is not a Business Exchange Day in respect of such Asset, then the Initial Price in respect of such Asset means the Reference Price of such Asset for the immediately following applicable Business Exchange Day as determined by the Calculation Agent, and further subject to the provisions set out under “Description of the Notes — Special Circumstances”.

**“Insolvency”** means in respect of a Share, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution, winding-up or analogous proceeding affecting the relevant Company: (i) all of the relevant Shares of such Company are required to be transferred to a trustee, liquidator or similar official; or (ii) holders of such Shares become legally prohibited from transferring them.

**“Investor”** means a holder of Notes.

**“Issue Date”** means August 24, 2007.

**“Market Disruption Event”** means, in respect of an Asset, any bona fide event, circumstance or cause (whether or not reasonably foreseeable) beyond the reasonable control of the Bank or any person that does not deal at arm's length with the Bank which has or will have or would have a material adverse effect on the ability of dealers generally to place, maintain, unwind or modify hedges of positions in respect of such an Asset. A Market Disruption Event may include, without limitation, any of the following events: (i) any failure for trading to commence, or the permanent discontinuation of trading, or any suspension or limitation on trading of the Asset or any futures or options contracts in respect of the Asset on the applicable Exchange or Related Exchange, or the occurrence of any event that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants (including the Bank) in general to: (a) effect transactions in, or obtain market values for, the Asset on the applicable Exchange or Related Exchange, or (b) effect transactions in, or obtain market values for, futures or options contracts in respect of the Asset on the applicable Exchange or Related Exchange (collectively, an “Exchange Disruption”); (ii) the failure of a Price Source for an Asset to announce or publish the Reference Price for that Asset (or the information necessary for determining the Reference Price), or the temporary or permanent discontinuance or unavailability of the Price Source (collectively, a “Price Source Disruption”); (iii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which would make it unlawful or impracticable for the Issuer and/or the Calculation Agent to perform its obligations under the Notes or for equity or commodity dealers generally to place, maintain, unwind or modify hedges of positions in respect of such Asset; (iv) the taking of any action by any governmental, administrative, legislative or judicial authority or power of Canada or any other country, or any political subdivision thereof, which has, or may reasonably be expected to have, a material adverse effect on the financial markets of Canada or a country in which any applicable Exchange or Related Exchange is located; or (v) any outbreak or escalation of hostilities or other national or international calamity or crisis (including, without limitation, natural calamities) which has, or may reasonably be expected to have, a

material adverse effect on the ability of the Issuer or the Calculation Agent to perform its obligations under the Notes or of dealers generally to place, maintain, unwind or modify hedges of positions with respect to such Asset or a material and adverse effect on the economy of Canada or the trading of commodities, or securities generally on any relevant Exchange or Related Exchange.

**“Material Index Change”** has the meaning ascribed thereto under “Description of the Notes — Special Circumstances — Adjustments Due to Material Changes.”

**“Maturity Date”** means August 24, 2012.

**“MDE Formula”** has the meaning ascribed under “Description of the Notes — Special Circumstances — Market Disruption Event”.

**“Merged Company”** means the merged entity following a Merger Event in respect of a Company.

**“Merger Date”** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**“Merger Event”** means, in respect of a Share, any: (i) reclassification or change of the relevant Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person; (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding); (iii) take-over bid, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Shares of such Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person); or (iv) consolidation, amalgamation, merger or binding share exchange of such Company or its subsidiaries with or into another entity in which such Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Shares immediately following such event (commonly referred to as a “reverse merger”), in each case if the Merger Date is on or before the date on which the Asset Return in respect of such Share is determined.

**“Moody’s”** means Moody’s Investors Service, Inc.

**“Nationalization”** means, in respect of a Share, that all such Shares or all or substantially all of the assets of the applicable Company are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

**“Net Proceeds”** means an amount equal to \$97.00 per Note.

**“Notes”** means The Bank of Nova Scotia — Callable Saskatchewan Focused Notes, Series 1 offered by this Information Statement.

**“NYMEX”** means the New York Mercantile Exchange or its successor.

**“Offering”** means the offering of the Notes pursuant to this Information Statement.

**“Potash”** means Potash Corporation of Saskatchewan Inc.

**“Potash Shares”** means common shares of Potash.

**“Potential Adjustment Event”** means, in respect of a Share, the occurrence of any of the following events: (i) a subdivision, consolidation or reclassification of the Shares (unless resulting in a Merger Event), or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalization or similar issue; (ii) a distribution, issue or dividend to existing holders of the Shares of: (a) additional Shares; or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the applicable Company equally or proportionately with such payments to holders of Shares; or (c) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the applicable Company as a result of a spin-off or other similar transaction, or (d) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent; (iii) an extraordinary dividend in respect of such Shares (where the

characterization of a dividend as “extraordinary” will be determined by the Calculation Agent); (iv) a call by the applicable Company in respect of the Shares that are not fully paid; (v) a repurchase by the applicable Company or any of its subsidiaries of the Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; (vi) in respect of the applicable Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event will be readjusted upon any redemption or such rights; or (vii) any other event that may have a dilutive or concentrative effect on the theoretical value of the Shares as determined by the Calculation Agent.

**“Price Source”** means in respect of an Asset, the entity which publishes or reports (or such other origin of reference, including an Exchange) a Reference Price (or the information necessary for determining the Reference Price) for that Asset.

**“Pricing Day”** means any day when a Reference Price is determined for an Asset.

**“Principal Amount”** means \$100 per Note.

**“Reference Price”** for an Asset on a Pricing Day means, subject to the provisions set out under “Description of the Notes — Special Circumstances” in respect of an Asset, the official Reference Price for such Asset as announced by the applicable Price Source as determined by the Calculation Agent, provided that, if on or after the Issue Date such Price Source materially changes the time of day at which such official Reference Price is determined or no longer announces such official Reference Price, the Calculation Agent may thereafter deem the Reference Price to be the price of such Asset as of the time of day used by such Exchange to determine the official Reference Price prior to such change or failure to announce:

- (i) for Cameco Shares, that Pricing Day’s closing price for a Cameco Share on the TSX, stated in Canadian dollars, as determined and made public by the TSX on such Pricing Day;
- (ii) for Gasoline, that Pricing Day’s closing price per gallon of RBOB Gasoline (reformulated gasoline before oxygenated blending) on the NYMEX of the first futures contract to expire following that Pricing Day, stated in US dollars, as made public by the NYMEX and available on the exchange’s web site [www.nymex.com](http://www.nymex.com) or Reuters page ‘RB’ or Bloomberg page ‘XB1 CMDTY’ on that Pricing Day;
- (iii) for Natural Gas, that Pricing Day’s closing price per MMBTU of natural gas on the NYMEX of the first Henry Hub Natural Gas futures contract to expire following that Pricing Day, stated in US dollars, as determined and made public by the NYMEX and available on the exchange’s web site [www.nymex.com](http://www.nymex.com) or Reuters page ‘NGc1’ or Bloomberg page ‘NG1 CMDTY’ on that Pricing Day;
- (iv) for Potash Shares, that Pricing Day’s closing price for a Potash Share on the TSX, stated in Canadian dollars, as determined and made public by the TSX on such Pricing Day;
- (v) for the S&P GSCI™ Agriculture Index (Excess Return), that Pricing Day’s closing price, stated in US dollars, as made public on Bloomberg page ‘SPGSAGP INDEX’ on that Pricing Day; and
- (vi) for the S&P GSCI™ Livestock Index (Excess Return), that Pricing Day’s closing price, stated in US dollars, as made public on Bloomberg page ‘SPGSLVP Index’ on that Pricing Day.

**“Regulations”** has the meaning ascribed thereto under “Certain Canadian Federal Tax Considerations”.

**“Related Exchange”** means, in respect of an Asset, any exchange or trading system on which futures or options on such Assets are listed from time to time.

**“Replacement Event”** has the meaning ascribed thereto under “Description of the Notes — Special Circumstances — Adjustments Due to Material Changes.”

**“Replacement Index”** means an index replacing one of the Indices in the Basket upon a Replacement Event.

**“Replacement Share”** has the meaning ascribed thereto under “Description of the Notes — Special Circumstances — Adjustments Due to Material Changes”.

“**S&P**” means Standard and Poor’s Rating Service, a division of the McGraw-Hill Companies, Inc.

“**Scheduled Closing Time**” means, in respect of an Exchange or a Related Exchange, the scheduled weekday closing time of such Exchange or Related Exchange without regard to after hours or any other trading outside of regular trading session hours.

“**Scotia Capital**” means, collectively, Scotia Capital Inc. and any of its affiliates and, where the context required, “Scotia Capital” also refers to the global corporate and investment banking and capital markets products and services provided by the Bank and its affiliates.

“**Selling Agent**” means Scotia Capital Inc.

“**Share**” means a Cameco Share or a Potash Share, as the case may be.

“**Substitution Date**” has the meaning ascribed thereto under “Description of the Notes — Adjustments Due to Material Changes”.

“**Substitution Event**” means, in respect of a Share any event which, in the determination of the Calculation Agent, has adversely affected or may potentially adversely affect the liquidity of the Share (as compared with its liquidity at the Issue Date) and may include, but is not limited to: (i) a Nationalization; (ii) an Insolvency; (iii) a Delisting; or (iv) any Merger Event or Tender Offer in respect of such Share that is deemed by the Calculation Agent, in its sole discretion, to be a Substitution Event.

“**Successor Source**” means, in respect of either of the Indices, any entity or source that succeeds a Price Source in respect of the calculation and publication of the Reference Price of the relevant Index provided that such entity or source is acceptable to the Calculation Agent.

“**Tender Offer**” means, in respect of a Share, a take-over bid, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding relevant Shares of the applicable Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

“**Tender Offer Date**” means, in respect of a Tender Offer, the date on which the relevant Shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

“**TSX**” means the Toronto Stock Exchange.

“**Valuation Date**” means the Issue Date and the Calculation Date, subject to the provisions set out under “Description of the Notes — Special Circumstances”.

“**Variable Return**” has the meaning ascribed thereto under “Summary — Variable Return”.

“**Weighted Asset Return**” means, in respect of an Asset, the number (which may be positive or negative, and which is to be expressed as a percentage, rounded to two decimal places) being the percentage increase or decrease in the Reference Price of the Asset between the Issue Date and the Calculation Date, multiplied by the Weighting of that Asset in the Basket.

“**Weighting**” means the following with respect to each Asset noted:

<u>Asset</u>	<u>Weighting</u>
Cameco Shares . . . . .	10%
Gasoline . . . . .	20%
Natural Gas . . . . .	20%
Potash Shares . . . . .	10%
S&P GSCI™ Agriculture Index (Excess Return) . . . . .	20%
S&P GSCI™ Livestock Index (Excess Return) . . . . .	20%



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