

This short form prospectus constitutes a public offering only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended or any state securities laws and, subject to certain exceptions, may not be offered, sold or delivered, directly or indirectly, in the United States of America or for the account or benefit of U.S. persons. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein 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, and are also available electronically at [www.sedar.com](http://www.sedar.com). For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the Executive Vice-President, General Counsel and Secretary of the Bank at the above-mentioned address and telephone number and is also available electronically at [www.sedar.com](http://www.sedar.com).

## Short Form Prospectus

New Issue

March 29, 2007



# THE BANK OF NOVA SCOTIA

**\$300,000,000**  
**(12,000,000 shares)**

## Non-cumulative Preferred Shares Series 15

The holders of Non-cumulative Preferred Shares Series 15 (the "Preferred Shares Series 15") of The Bank of Nova Scotia (the "Bank") will be entitled to receive fixed non-cumulative preferential cash dividends, payable quarterly as and when declared by the Board of Directors on the third last business day of January, April, July and October in each year. The initial dividend, if declared, will be payable July 27, 2007 and shall be \$0.34829 per share, based on the anticipated closing date of April 5, 2007. Thereafter, quarterly dividends shall be at a rate of \$0.28125 per share. Reference is made to "Details of the Offering".

Subject to the provisions of the *Bank Act* (Canada) (the "*Bank Act*") and the prior consent of the Superintendent of Financial Institutions Canada (the "Superintendent"), on and after July 27, 2012, the Bank may redeem the Preferred Shares Series 15, in whole or in part, at the Bank's option without the consent of the holder, by the payment in cash of a sum equal to \$25.00 per share plus, if redeemed before July 27, 2016, a premium, together with declared and unpaid dividends to the date fixed for redemption. Reference is made to "Details of the Offering".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Preferred Shares Series 15 on the TSX. Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

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*. The head office 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.

**Price: \$25.00 per share to yield 4.50%**

Scotia Capital Inc., RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., National Bank Financial Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Dundee Securities Corporation, Laurentian Bank Securities Inc. and Trilon Securities Corporation (collectively, the "Underwriters") as principals, conditionally offer the Preferred Shares Series 15, subject to prior sale if, as and when issued by the Bank and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Bank by McCarthy Tétrault LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

**Scotia Capital Inc., one of the Underwriters, is an indirect wholly owned subsidiary of the Bank. Therefore, the Bank is a related issuer of Scotia Capital Inc. under applicable securities legislation. Reference is made to "Plan of Distribution".**

	Price to the Public	Underwriting Fee and Discount <sup>(1)</sup>	Net Proceeds to the Bank <sup>(2)(3)</sup>
Per . . . . .	\$25.00	\$0.75	\$24.25
Total . . . . .	\$300,000,000	\$9,000,000	\$291,000,000

(1) The underwriting fee is \$0.25 for each share sold to certain institutions and \$0.75 per share for all other shares. The total represents the underwriting fee, assuming no Preferred Shares Series 15 are sold to such institutions.

(2) Before deduction of expenses of the issue payable by the Bank estimated at \$400,000.

(3) The Bank has granted the Underwriters an over-allotment option (the "Option") to purchase up to an additional 1,800,000 Preferred Shares Series 15 at the offering price hereunder, exercisable at any time but not later than 30 days following the closing date. If the Option is exercised in full, the total "Price to Public", "Underwriting Fee" and "Net Proceeds to the Bank", before deducting expenses of the offering, would be \$345,000,000, \$10,350,000 and \$334,650,000 respectively (assuming no Preferred Shares Series 15 are sold to those institutions referred to in Note (1) above). This prospectus qualifies the grant of the Option and the distribution of the Preferred Shares Series 15 issuable upon exercise of the Option. Reference is made to "Plan of Distribution".

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 15. Reference is made to "Plan of Distribution".

Underwriters' Position	Maximum Size	Exercise Period	Acquisition Price
Over-allotment option	1,800,000	At any time but not later than 30 days following the closing date.	\$25.00

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. It is expected that closing will take place on April 5, 2007 or such later date as may be agreed upon, but in any event not later than April 30, 2007. A "book-entry only" certificate representing the Preferred Shares Series 15 distributed hereunder will be issued in registered form to the CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and will be deposited with CDS on closing of this offering. No physical certificates representing the Preferred Shares Series 15 will be issued to purchasers, except in limited circumstances, and registration will be made in the depository service of CDS. A purchaser of Preferred Shares Series 15 will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Preferred Shares Series 15 are purchased. Reference is made to "Depository Services".

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### Forward-looking Statements

This document includes forward-looking statements which are made pursuant to the “safe harbour” provisions of the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. These statements include comments with respect to the Bank’s objectives, strategies to achieve those objectives, expected financial results (including those in the area of risk management), and the outlook for the Bank’s businesses and for the Canadian, United States and global economies. Forward-looking statements are typically identified by words or phrases such as “believe”, “expect”, “anticipate”, “intent”, “estimate”, “plan”, “may increase”, “may fluctuate”, and similar expressions of future or conditional verbs such as “will”, “should”, “would” and “could”.

By their very nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that predictions and other forward-looking statements will not prove to be accurate. The Bank cautions readers not to place undue reliance on these statements, as a number of important factors could cause actual results to differ materially from the estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, the economic and financial conditions in Canada and globally; fluctuations in interest rates and currency values; liquidity; the effect of changes in monetary policy; legislative and regulatory developments in Canada and elsewhere; operational and reputational risks; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services in receptive markets; the Bank’s ability to expand existing distribution channels and to develop and realize revenues from new distribution channels; the Bank’s ability to complete and integrate acquisitions and its other growth strategies; changes in accounting policies and methods the Bank uses to report its financial condition and the results of its operations, including uncertainties associated with critical accounting assumptions and estimates; the effect of applying future accounting changes; global capital markets activity; the Bank’s ability to attract and retain key executives; reliance on third parties to provide components of the Bank’s business infrastructure; unexpected changes in consumer spending and saving habits; technological developments; consolidation in the Canadian financial services sector; changes in tax laws; competition, both from new entrants and established competitors; judicial and regulatory proceedings; acts of God, such as earthquakes; the possible impact of international conflicts and other developments, including terrorist acts and war on terrorism; the effects of disease or illness on local, national or international economies; disruptions to public infrastructure, including transportation, communication, power and water; and the Bank’s anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank’s business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank’s financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank’s actual performance to differ materially from that contemplated by forward-looking statements. For more information see the section entitled “Risk management” starting on page 53 of the Bank’s Management’s Discussion and Analysis of financial conditions and results of operations for the year ended October 31, 2006, dated December 19, 2006.

The Bank cautions that the foregoing list of important factors is not exhaustive. When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the foregoing factors, other uncertainties and potential events. The Bank does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on behalf of the Bank.

#### **Documents Incorporated by Reference**

The following documents have been filed with the Superintendent and the securities regulatory authorities in each province and territory of Canada and are specifically incorporated by reference into, and form an integral part of, this short form prospectus:

- (a) the Bank's Annual Information Form dated December 19, 2006;
- (b) the Bank's Management Proxy Circular attached to the Notice of Meeting dated January 15, 2007;
- (c) the Bank's comparative consolidated interim financial statements (unaudited) and management's discussion and analysis of financial condition and results of operations as at and for the three months ended January 31, 2007;
- (d) the Bank's comparative consolidated financial statements for the year ended October 31, 2006, together with the auditors' report for the Bank's 2006 fiscal year; and
- (e) the Bank's Management's Discussion and Analysis of financial condition and results of operations as contained in the Bank's Annual Report for the year ended October 31, 2006.

**Any documents of the type referred to in the preceding paragraph and any unaudited interim financial statements for the three, six or nine month financial periods, any information circulars and any material change reports (excluding confidential material change reports) filed by the Bank with a securities regulatory authority in Canada after the date of this prospectus and prior to the completion or withdrawal of this offering, are deemed to be incorporated by reference in this prospectus.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein or contemplated in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus 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 it 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 prospectus.**

#### **Currency and Accounting Information**

Unless otherwise indicated, all dollar amounts appearing in this prospectus are stated in Canadian dollars.

Unless otherwise indicated, all amounts appearing under "Earnings Coverage" are derived from the consolidated financial statements of the Bank, which are presented in accordance with Canadian GAAP.

## **Business of the Bank**

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.

A list of the principal subsidiaries directly or indirectly owned or controlled by the Bank as at October 31, 2006 is incorporated by reference in the Bank's Annual Information Form dated December 19, 2006.

## **Changes in Capitalization**

In the period between February 1, 2007 and March 20, 2007 options to purchase 601,830 Common Shares have been exercised pursuant to the Bank's Stock Option Plans. During this same period, 900,000 Common Shares were purchased for cancellation through a normal course issuer bid.

## **Details of the Offering**

The following is a summary of the rights, privileges, restrictions and conditions of or attaching to the preferred shares of the Bank as a class (the "Preferred Shares") and the Preferred Shares Series 15 as a series.

### **Certain Provisions of the Preferred Shares as a Class**

The authorized preferred share capital of the Bank consists of an unlimited number of Preferred Shares without nominal or par value. The directors of the Bank may divide any unissued Preferred Shares into series and fix the number of shares in each series and the rights, privileges, restrictions and conditions thereof.

#### ***Priority***

The Preferred Shares of each series will rank on a parity with Preferred Shares of every other series and are entitled to preference over the Common Shares and over any other shares of the Bank ranking junior to the Preferred Shares with respect to the payment of dividends and upon any distribution of assets in the event of liquidation, dissolution or winding-up of the Bank.

#### ***Restrictions***

The Bank may not create, without the approval of the holders of Preferred Shares, any other class of shares ranking prior to or on a parity with the Preferred Shares, increase the authorized number of Preferred Shares or amend the provisions attaching to the Preferred Shares.

#### ***Shareholder Approval***

Any approval to be given by the holders of the Preferred Shares may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Preferred Shares at which a majority of the outstanding Preferred Shares is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

### **Certain Provisions of the Preferred Shares Series 15 as a Series**

#### ***Issue Price***

The Preferred Shares Series 15 will have an issue price of \$25.00 per share.

### ***Dividends***

The holders of the Preferred Shares Series 15 will be entitled to receive a fixed quarterly non-cumulative preferential cash dividend, as and when declared by the Board of Directors, subject to the provisions of the *Bank Act*, on the third last business day of each of January, April, July and October in each year, at a quarterly rate equal to \$0.28125 per share. The first of such dividends, if declared, shall be paid on July 27, 2007 and shall be \$0.34829 per share, based on the anticipated closing date of April 5, 2007.

If the Board of Directors of the Bank does not declare the dividends, or any part thereof, on the Preferred Shares Series 15 on or before the dividend payment date for a particular quarter, then the entitlement of the holders of the Preferred Shares Series 15 to receive such dividends, or to any part thereof, for such quarter shall be forever extinguished.

### ***Redemption***

The Preferred Shares Series 15 will not be redeemable prior to July 27, 2012. On and after July 27, 2012, but subject to the provisions of the *Bank Act* and to the prior consent of the Superintendent and to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may redeem at any time all or from time to time any part of the outstanding Preferred Shares Series 15, at the Bank’s option without the consent of the holder, by the payment of an amount in cash for each such share so redeemed of: \$26.00 if redeemed during the period commencing July 27, 2012 and ending July 28, 2013; \$25.75 if redeemed during the period commencing July 29, 2013 and ending July 28, 2014; \$25.50 if redeemed during the period commencing July 29, 2014 and ending July 28, 2015; \$25.25 if redeemed during the period commencing July 29, 2015 and ending July 26, 2016; and \$25.00 commencing July 27, 2016.

Notice of any redemption will be given by the Bank at least 30 days and not more than 60 days prior to the date fixed for redemption. If less than all the outstanding Preferred Shares Series 15 are at any time to be redeemed, the shares to be redeemed will be redeemed *pro rata*, disregarding fractions. Reference is also made to “Bank Act Restrictions”.

### ***Purchase for Cancellation***

Subject to the provisions of the *Bank Act*, the prior consent of the Superintendent and the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Bank may at any time purchase for cancellation any Preferred Share Series 15 in the open market at the lowest price or prices at which in the opinion of the Board of Directors of the Bank such shares are obtainable.

### ***Rights on Liquidation***

In the event of the liquidation, dissolution or winding-up of the Bank, the holders of the Preferred Shares Series 15 shall be entitled to receive \$25.00 per share together with all dividends declared and unpaid to the date of payment before any amount shall be paid or any assets of the Bank distributed to the holders of any shares ranking junior to the Preferred Shares Series 15. The holders of the Preferred Shares Series 15 shall not be entitled to share in any further distribution of the assets of the Bank.

### ***Restrictions on Dividends and Retirement of Shares***

So long as any of the Preferred Shares Series 15 are outstanding, the Bank will not, without the approval of the holders of the Preferred Shares Series 15 given as specified below:

- (a) pay any dividends on the Common Shares or any other shares ranking junior to the Preferred Shares Series 15 (other than stock dividends in shares ranking junior to the Preferred Shares Series 15); or
- (b) redeem, purchase or otherwise retire any Common Shares or any other shares ranking junior to the Preferred Shares Series 15 (except out of the net cash proceeds of a substantially concurrent issue of shares ranking junior to the Preferred Shares Series 15); or
- (c) redeem, purchase or otherwise retire less than all of the Preferred Shares Series 15; or

- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching to any series of Preferred Shares, redeem, purchase or otherwise retire any other shares ranking on a parity with the Preferred Shares Series 15;

unless, in each case, all dividends up to and including those payable on the dividend payment date for the last completed period for which dividends shall be payable shall have been declared and paid or set apart for payment in respect of each series of cumulative Preferred Shares then issued and outstanding and on all other cumulative shares ranking on a parity with the Preferred Shares and there shall have been paid or set apart for payment all declared dividends in respect of each series of non-cumulative Preferred Shares (including the Preferred Shares Series 15) then issued and outstanding and on all other non-cumulative shares ranking on a parity with the Preferred Shares.

#### ***Issue of Additional Series of Preferred Shares***

The Bank may issue other series of Preferred Shares ranking on a parity with the Preferred Shares Series 15 without the authorization of the holders of the Preferred Shares Series 15.

#### ***Amendments to Preferred Shares Series 15***

The Bank will not, without the approval of the holders of the Preferred Shares Series 15 given as specified below under “Shareholder Approvals”, delete or vary any rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 15. In addition to the aforementioned approval, the Bank will not without, but may from time to time with, the prior approval of the Superintendent, make any such deletion or variation which might affect the classification afforded the Preferred Shares Series 15 from time to time for capital adequacy requirements pursuant to the *Bank Act* and the Regulations and Guidelines thereunder.

#### ***Shareholder Approvals***

The approval of any amendments to the rights, privileges, restrictions and conditions attaching to the Preferred Shares Series 15 may be given by a resolution carried by the affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast at a meeting of holders of Preferred Shares Series 15 at which a majority of the outstanding Preferred Shares Series 15 is represented or, if no such quorum is present at such meeting, at any adjourned meeting at which shareholders then present or represented by proxy would form the necessary quorum.

#### ***Voting Rights***

Subject to the provisions of the *Bank Act*, the holders of the Preferred Shares Series 15 as such will not be entitled to receive notice of or to attend or to vote at any meeting of the shareholders of the Bank unless and until the first time at which the Board of Directors of the Bank has not declared the whole dividend on the Preferred Shares Series 15 in any quarter. In that event, the holders of the Preferred Shares Series 15 will be entitled to receive notice of, and to attend, meetings of shareholders at which directors are to be elected and will be entitled to one vote for each of the Preferred Shares Series 15 held. The voting rights of the holders of the Preferred Shares Series 15 shall forthwith cease upon payment by the Bank of the first dividend on the Preferred Shares Series 15 to which the holders are entitled subsequent to the time such voting rights first arose until such time as the Bank may again fail to declare the whole dividend on the Preferred Shares Series 15 in any quarter, in which event such voting rights shall become effective again and so on from time to time.

#### ***Tax Election***

The Preferred Shares Series 15 are “taxable preferred shares” as defined in the *Income Tax Act* (Canada) (the “Act”). The terms of the Preferred Shares Series 15 require the Bank to make the necessary election under Part VI.1 of the Act so that corporate holders will not be subject to tax under Part IV.1 of the Act on dividends received (or deemed to be received) on the Preferred Shares Series 15. See “Canadian Federal Income Tax Considerations”.

## **Depository Services**

Except as otherwise provided below, the Preferred Shares Series 15 will be issued in “book-entry only” form and must be purchased, transferred, redeemed or exchanged through participants (“Participants”) in the depository service of CDS or its nominee, which include securities brokers and dealers, banks and trust companies. On the closing date, the Bank will cause a global certificate representing the Preferred Shares Series 15 to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of Preferred Shares Series 15 will be entitled to a certificate or other instrument from the Bank or CDS evidencing that purchaser’s ownership thereof, and no purchaser will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such purchaser. Each purchaser of Preferred Shares Series 15 will receive a customer confirmation of purchase from the registered dealer from which the Preferred Shares Series 15 are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Preferred Shares Series 15.

Neither the Bank nor the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Preferred Shares Series 15 held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Preferred Shares Series 15; or (iii) any advice or representation made by or with respect to CDS and those contained in this prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and persons, other than Participants, having an interest in the Preferred Shares Series 15 must look solely to Participants for payments made by or on behalf of the Bank to CDS in respect of the Preferred Shares Series 15.

If: (i) required by applicable law; (ii) the book entry system ceases to exist; (iii) the Bank determines, or CDS notifies the Bank in writing, that CDS is no longer willing or able to discharge properly the responsibilities as depository with respect to the Preferred Shares Series 15 and the Bank is unable to locate a qualified successor; or (iv) the Bank at its option elects, or is required by law, to terminate the book-entry system, then certificates representing the Preferred Shares Series 15 will be issued to purchasers thereof or their nominees.

### ***Manner of Effecting Transfer, Redemption or Exchange***

A transfer, redemption or exchange of Preferred Shares Series 15 will be effected through records maintained by CDS or its nominee with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Purchasers of Preferred Shares Series 15 who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Preferred Shares Series 15, may do so only through Participants.

Reference is made to “Bank Act Restrictions”.

### ***Payment of Dividends and Other Amounts***

Payments of dividends and other amounts in respect of the Preferred Shares Series 15 will be made by the Bank to CDS or its nominee, as the case may be, as registered holder of the Preferred Shares Series 15. As long as CDS or its nominee is the registered owner of the Preferred Shares Series 15, CDS or its nominee, as the case may be, will be considered the sole owner of the Preferred Shares Series 15 for the purposes of receiving payments on the Preferred Shares Series 15.

The Bank expects that CDS or its nominee, upon receipt of any payment in respect of the Preferred Shares Series 15, will credit, on the date an amount is payable, the Participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Preferred Shares Series 15 as shown on the records of CDS or its nominee. The Bank also expects that payments by the Participants to the owners of beneficial interests in such Preferred Shares Series 15 held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such Participants. The

responsibility and liability of the Bank in respect of the Preferred Shares Series 15 issued in book-entry form is limited to making payment of any amount due on such Preferred Shares Series 15 to CDS or its nominee.

### **Bank Act Restrictions**

The *Bank Act* contains restrictions on the issue, transfer, acquisition and beneficial ownership of all shares of a chartered bank. The following is a summary of such restrictions. No person may be a major shareholder of a bank if the bank has equity of \$5 billion or more (which would include the Bank). A person is a major shareholder of a bank if: (i) the aggregate of shares of any class of voting shares owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 20% of that class of voting shares; or (ii) the aggregate of shares of any class of non-voting shares beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly or in concert with that person is more than 30% of that class of non-voting shares. No person may have a significant interest in any class of shares of a Canadian chartered bank, including the Bank, unless the person first receives the approval of the Minister of Finance (Canada). For purposes of the *Bank Act*, a person has a significant interest in a class of shares of a bank where the aggregate of any shares of the class beneficially owned by that person, by entities controlled by that person and by any person associated or acting jointly in concert with that person exceeds 10% of all of the outstanding shares of that class of shares of such bank (a “significant shareholder”).

The *Bank Act* also prohibits the registration of a transfer or issue of any shares of the Bank to Her Majesty in Right of Canada or of a province or any agent or agency of Her Majesty in either of those rights, or to the government of a foreign country or any political subdivision, agent or agency of any of them.

Under the *Bank Act*, the Bank cannot redeem or purchase any of its shares, including the Preferred Shares Series 15, unless the consent of the Superintendent has been obtained. In addition, the *Bank Act* prohibits the Bank from purchasing or redeeming any shares or paying any dividends if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the *Bank Act* requirement to maintain, in relation to the Bank’s operations, adequate capital and appropriate forms of liquidity and to comply with any regulations or directions of the Superintendent in relation thereto. In addition, under the *Bank Act*, the Bank is restricted from declaring and paying a dividend in any financial year without the approval of the Superintendent if, on the day the dividend is declared, the total of all dividends paid by the Bank in that year would exceed the aggregate of the Bank’s net income up to that day in the year and of its retained net income for the preceding two financial years.

### **Canadian Federal Income Tax Considerations**

In the opinion of McCarthy Tétrault LLP and Osler, Hoskin & Harcourt LLP, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a purchaser of Preferred Shares Series 15 pursuant to this prospectus who, within the meaning of the *Income Tax Act* (Canada) (the “Act”), is resident in Canada, deals at arm’s length with the Bank, is not affiliated with the Bank and holds the Preferred Shares Series 15 as capital property. This summary is not applicable to a purchaser that is a “specified financial institution”, or to a purchaser an interest in which is a “tax shelter investment”, as defined in the Act.

Generally, the Preferred Shares Series 15 will be capital property to a purchaser provided the purchaser does not hold the Preferred Shares Series 15 in the course of carrying on a business of trading or dealing in securities and does not acquire them as part of an adventure in the nature of a trade. Certain purchasers who might not otherwise be considered to hold Preferred Shares Series 15 as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Act.

The Preferred Shares Series 15 acquired by “financial institutions”, as defined in the Act for purposes of the “mark-to-market” rules, will generally not be held as capital property by such purchasers. Such financial institutions and other purchasers who do not hold their Preferred Shares Series 15 as capital property should consult their own tax advisors with respect to their own particular circumstances.



**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.**

This summary is based upon the current provisions of the Act, the regulations thereunder, all specific proposals to amend the Act and the regulations publicly announced by the Minister of Finance prior to the date hereof and counsel's understanding of the current administrative practices published in writing by the Canada Revenue Agency (the "CRA"). This summary does not otherwise take into account any changes in law or in administrative or assessing practices of the CRA, whether by legislative, administrative or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which may be different from those discussed herein. No assurance can be given that specific proposals will be enacted as proposed or at all.

### **Dividends**

Dividends (including deemed dividends) received on the Preferred Shares Series 15 by an individual will be included in the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received by individuals (other than certain trusts) from taxable Canadian corporations. An enhanced dividend tax credit is available in respect of "eligible dividends" received after 2005 from a taxable Canadian corporation such as the Bank, where the dividends have been designated as eligible dividends by the dividend-paying corporation. The Bank will notify shareholders, in accordance with the Act, of the extent to which the dividends paid on Preferred Shares Series 15 are eligible dividends.

Dividends (including deemed dividends) on the Preferred Shares Series 15 received by a corporation will be included in computing income and will generally be deductible in computing the taxable income of the corporation.

The Preferred Shares Series 15 will be taxable preferred shares as defined in the Act. The terms of the Preferred Shares Series 15 require the Bank to make the necessary election under Part VI.1 of the Act so that corporate shareholders will not be subject to tax under Part IV.1 of the Act on dividends paid (or deemed to be paid) by the Bank on the Preferred Shares Series 15.

A private corporation, as defined in the Act, or any other corporation controlled, whether by reason of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a 33 $\frac{1}{3}$ % refundable tax under Part IV of the Act on dividends received (or deemed to be received) on the Preferred Shares Series 15 to the extent such dividends are deductible in computing its taxable income.

### **Dispositions**

A holder who disposes of or is deemed to dispose of the Preferred Shares Series 15 (either on redemption of the shares or otherwise) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such shares to the holder thereof. If the shareholder is a corporation, any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received on such shares to the extent and under circumstances prescribed by the Act. Analogous rules apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

Generally, one-half of any such capital gain will be included in computing the holder's income as a taxable capital gain and one-half of any such capital loss may be deducted from the holder's taxable capital gains in accordance with the rules contained in the Act. Any such capital gain realized by an individual may give rise to a liability for alternative minimum tax. Taxable capital gains of a Canadian controlled private corporation (as defined in the Act) may be subject to an additional refundable tax at a rate of 6 $\frac{2}{3}$ %.

### **Redemption**

If the Bank redeems for cash or otherwise acquires the Preferred Shares Series 15 other than by a purchase in the manner in which shares are normally purchased by a member of the public in the open market, the holder

will be deemed to have received a dividend equal to the amount, if any, paid by the Bank in excess of the paid-up capital of such shares at such time. The difference between the amount paid and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Dispositions” above. In the case of a corporate shareholder, it is possible that in certain circumstances all or part of the amount so deemed to be a dividend may be treated as proceeds of disposition and not as a dividend.

### **Ratings**

The Preferred Shares Series 15 are provisionally rated “Pfd-1” by DBRS Limited (“DBRS”). “Pfd-1” is in the highest category available from DBRS for preferred shares.

The Preferred Shares Series 15 are provisionally rated “P-1 (Low)” by Standard & Poor’s (“S&P”), a division of The McGraw-Hill Companies, Inc. using the S&P Canadian scale for preferred shares and are provisionally rated “A” using S&P’s global scale for preferred shares. The “P-1” rating is in the highest of the five categories used by S&P on its Canadian preferred share scale. A reference to “high” or “low” reflects the relative strength within the rating category. The “A” rating is in the highest of the three categories used by S&P on its global scale.

The Preferred Shares Series 15 are provisionally rated “A2” by Moody’s Investors Service (“Moody’s”), a subsidiary of Moody’s Corporation. Securities rated “A” are considered upper-medium grade and subject to low credit risk. The modifier “2” indicates that the obligation ranks in the middle of the “A” rating category.

Prospective purchasers of Preferred Shares Series 15 should consult the relevant rating organization with respect to the interpretation and implications of the foregoing provisional ratings. The foregoing ratings should not be construed as recommendations to buy, sell or hold Preferred Shares Series 15. Ratings may be revised or withdrawn at any time by the respective rating organizations.

### **Earnings Coverage**

The Bank’s dividend requirements on its outstanding Preferred Shares, after giving effect to the issue of the Preferred Shares Series 15 to be distributed under this short form prospectus, assuming complete exercise of the Option to purchase up to an additional 1,800,000 Preferred Shares Series 15, and adjusted to a before tax equivalent using an effective income tax rate of 34.9% for the 12 months ended October 31, 2006 and 34.82% for the 12 months ended January 31, 2007, amounted to \$94 million for the 12 months ended October 31, 2006 and \$94 million for the 12 months ended January 31, 2007. The Bank’s interest requirements for subordinated debentures, capital instrument liabilities and those instruments that were reclassified as deposits from capital instrument liabilities in accordance with the pronouncements issued by the Canadian Institute of Chartered Accountants, including adjusting for a full year’s interest expense for the Scotia BaTS II Series 2006-1, for the 12 months ended October 31, 2006 amounted to \$322 million and for the 12 months ended January 31, 2007 amounted to \$320 million. The Bank’s earnings before interest and income tax for the 12 months ended October 31, 2006 were \$4,735 million, which is 11.4 times the Bank’s aggregate dividend and interest requirements for this period. The Bank’s earnings before interest and income tax for the 12 months ended January 31, 2007 were \$4,963 million, which is 12.0 times the Bank’s aggregate dividend and interest requirements for this period.

### **Plan of Distribution**

Pursuant to an agreement (the “Underwriting Agreement”) dated March 21, 2007 between the Bank and the Underwriters, the Bank has agreed to sell and the Underwriters have agreed to purchase on April 5, 2007, or on such other date not later than April 30, 2007 as may be agreed upon, subject to the terms and conditions contained therein, all but not less than all of the 12,000,000 Preferred Shares Series 15 at a price of \$25.00 per share payable in cash to the Bank against delivery of the Preferred Shares Series 15. The Underwriting Agreement provides that the Underwriters will be paid an underwriting fee per share equal to \$0.25 with respect to Preferred Shares Series 15 sold to certain institutions and \$0.75 with respect to all other Preferred Shares Series 15. Assuming no Preferred Shares Series 15 are sold to such institutions, the Underwriter’s fee would be \$9,000,000.

The Bank has granted the Underwriters the Option, exercisable at any time but not later than 30 days following the closing date, to purchase up to an additional 1,800,000 Preferred Shares Series 15 at the offering price (the “Option Shares”). This prospectus qualifies the grant of the Option and the distribution of the Option Shares issuable upon exercise of the Option. The Underwriters will be paid an underwriting fee equal to \$0.25 per Option Share sold to certain institutions and \$0.75 with respect to all other Option Shares.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Preferred Shares Series 15 if any are purchased under the Underwriting Agreement.

The Toronto Stock Exchange (the “TSX”) has conditionally approved the listing of the Preferred Shares Series 15 on the TSX. Listing will be subject to the Bank fulfilling all of the requirements of the TSX.

The Preferred Shares Series 15 have not been and will not be registered under the *Securities Act of 1933* of the United States of America, as amended (the “1933 Act”) or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers (Québec), the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase the Preferred Shares Series 15. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by Market Regulation Services Inc. relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer when the order was not solicited during the period of distribution. In connection with this offering and subject to the foregoing and to applicable law, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Preferred Shares Series 15 at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Scotia Capital Inc., one of the Underwriters, is an indirect wholly owned subsidiary of the Bank. As a result, the Bank is a related issuer of Scotia Capital Inc. under applicable securities legislation. The decision to distribute the Preferred Shares Series 15 and the determination of the terms of the offering were made through negotiations between the Bank on the one hand and the Underwriters on the other hand. RBC Dominion Securities Inc., an Underwriter, in respect of which the Bank is not a related or connected issuer, has participated in the structuring and pricing of the offering and in the due diligence activities performed by the Underwriters for the offering. Scotia Capital Inc. will not receive any benefit from the Bank in connection with this offering other than a portion of the Underwriters’ fee payable by the Bank.

#### **Use of Proceeds**

The net proceeds to the Bank from the sale of the Preferred Shares Series 15, after deducting the estimated expenses of issue and the Underwriters’ fee (assuming no Preferred Shares Series 15 are sold to institutions and assuming no exercise of the Option), will amount to \$290,600,000. Such proceeds will be added to the Bank’s general funds and will be used for general business purposes.

#### **Transfer Agent and Registrar**

Computershare Trust Company of Canada, at its principal offices in the cities of Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax, will be the transfer agent and registrar for the Preferred Shares Series 15.

## **Risk Factors**

An investment in Preferred Shares Series 15 of the Bank is subject to certain risks.

The Bank has covenanted that if a distribution is not paid when due on any outstanding Scotiabank Trust Securities (also known as “Scotia BaTS”) issued by BNS Capital Trust or Scotiabank Capital Trust, the Bank will not pay dividends on its “Dividend Restricted Shares”, which would include the Preferred Shares Series 15, until the twelfth month following the failure to pay the required distribution in full, unless the required distribution is paid to the holders of Scotia BaTS.

The value of Preferred Shares Series 15 will be affected by the general creditworthiness of the Bank. The section entitled “Management’s Discussion and Analysis” contained in the Bank’s Annual Report for the year ended October 31, 2006 is incorporated by reference in this prospectus. This analysis discusses, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Bank’s business, financial condition or results of operations.

Real or anticipated changes in credit ratings on the Preferred Shares Series 15 may affect the market value of the Preferred Shares Series 15. In addition, real or anticipated changes in credit ratings can affect the cost at which the Bank can transact or obtain funding, and thereby affect the Bank’s liquidity, business, financial condition or results of operations.

The Preferred Shares Series 15 are non-cumulative and dividends are payable at the discretion of the Board of Directors of the Bank. Reference is made to “Earnings Coverage”, which is relevant to an assessment of the risk that the Bank will be unable to pay dividends on the Preferred Shares Series 15.

The Preferred Shares Series 15 rank equally with other Preferred Shares of the Bank in the event of an insolvency or winding-up of the Bank. If the Bank becomes insolvent or is wound-up, the Bank’s assets must be used to pay deposit liabilities and other debt, including subordinated debt, before payments may be made on Preferred Shares Series 15.

Prevailing yields on similar securities will affect the market value of Preferred Shares Series 15. Assuming all other factors remain unchanged, the market value of the Preferred Shares Series 15 will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

The redemption of the Preferred Shares Series 15 is subject to the consent of the Superintendent and other restrictions contained in the *Bank Act*. Reference is made to “Bank Act Restrictions”.

Stock market volatility may affect the market price of the Preferred Shares Series 15 for reasons unrelated to the Bank’s performance.

There can be no assurance that an active trading market will develop for the Preferred Shares Series 15 after the offering, or if developed, that such a market will be sustained at the offering price of the Preferred Shares Series 15.

## **Legal Matters**

Legal matters in connection with the issue and sale of the Preferred Shares Series 15 will be passed upon, on behalf of the Bank, by McCarthy Tétrault LLP and, on behalf of the Underwriters, by Osler, Hoskin & Harcourt LLP. The partners, associates and counsel of each of McCarthy Tétrault LLP and Osler, Hoskin & Harcourt LLP beneficially own, directly or indirectly, less than 1% of the issued and outstanding securities of the Bank or of any associate or affiliate of the Bank.

### **Statutory Rights of Withdrawal and Rescission**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

**Certificate of the Bank**

Dated: March 29, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference, as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) RICHARD E. WAUGH  
President and Chief Executive Officer

(Signed) LUC A. VANNESTE  
Executive Vice President and  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN THOMAS MAYBERRY  
Director

(Signed) MICHAEL JOHN LANGTRY KIRBY  
Director

**Certificate of the Underwriters**

Dated: March 29, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the *Bank Act* (Canada) and the regulations thereunder and the securities legislation of all provinces and territories of Canada. For the purposes of the Province of Québec, to our knowledge, this simplified prospectus, together with documents incorporated herein by reference, as supplemented by the permanent information record, contains no misrepresentation likely to affect the value or the market price of the securities to be distributed.

SCOTIA CAPITAL INC.

By: (Signed) MARY ROBERTSON

RBC DOMINION SECURITIES INC.

By: (Signed) BARRY NOWOSELSKI

TD SECURITIES INC.

By: (Signed) MICHAEL WOOLHOUSE

BMO NESBITT BURNS INC.

CIBC WORLD MARKETS INC.

By: (Signed) BRADLEY J. HARDIE

By: (Signed) DONALD A. FOX

NATIONAL BANK FINANCIAL INC.

By: (Signed) BY: DARIN E. DESCHAMPS

DESJARDINS SECURITIES INC.

HSBC SECURITIES (CANADA) INC.

By: (Signed) THOMAS L. JARMAI

By: (Signed) CATHERINE J. CODE

DUNDEE SECURITIES CORPORATION

LAURENTIAN BANK SECURITIES INC.

By: (Signed) BENN A. MIKULA

By: (Signed) PIERRE GODBOUT

TRILON SECURITIES CORPORATION

By: (Signed) TREVOR D. KERR

**Exhibit-A — Auditors' Consent — 2006**

We have read the Short Form Prospectus dated March 29, 2007 of The Bank of Nova Scotia (the "Bank") relating to the Bank's issuance and sale of \$300,000,000 Non-cumulative Preferred Shares Series 15. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, through incorporation by reference in the above mentioned prospectus, of our auditors' report to the shareholders of the Bank on the consolidated balance sheet of the Bank as at October 31, 2006 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. Our report is dated December 8, 2006.

(Signed) "KPMG LLP"  
Chartered Accountants

Toronto, Canada  
March 29, 2007



**Exhibit-B — Auditors' Report and Consent — 2005**

**Auditors' Report**

We have audited the consolidated balance sheet of The Bank of Nova Scotia as at October 31, 2005, and the consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the two-year period ended October 31, 2005. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2005 and the results of its operations and its cash flows for each of the years in the two-year period ended October 31, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) "KPMG LLP"  
Chartered Accountants

(Signed) "PRICEWATERHOUSECOOPERS LLP"  
Chartered Accountants

Toronto, Canada  
November 29, 2005

**Auditors' Consent**

We have read the Short Form Prospectus dated March 29, 2007 of The Bank of Nova Scotia (the "Bank") relating to the Bank's issuance and sale of \$300,000,000 Non-cumulative Preferred Shares Series 15. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use, in the above mentioned prospectus of our report to the shareholders of the Bank on the consolidated balance sheet of the Bank as at October 31, 2005 and the consolidated statements of income, changes in shareholders' equity and cash flows for the two-year period then ended which are incorporated by reference into this Prospectus. Our report is dated November 29, 2005.

(Signed) "KPMG LLP"  
Chartered Accountants

(Signed) "PRICEWATERHOUSECOOPERS LLP"  
Chartered Accountants

Toronto, Canada  
March 29, 2007



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