

BANK OF NOVA SCOTIA /  
Form SUPPL  
August 01, 2012

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of Form F-9, File No. 333-179383

The information in this Preliminary Pricing Supplement is not complete and may be changed. We may not sell these Notes until the Pricing Supplement is delivered in final form. We are not selling these Notes, nor are we soliciting offers to buy these Notes, in any State where such offer or sale is not permitted.

**PRELIMINARY PRICING SUPPLEMENT**

Subject to Completion

Dated July 31, 2012

Pricing Supplement dated August 1, 2012 to the

Prospectus dated February 13, 2012,

Prospectus Supplement dated February 29, 2012 and Product Prospectus Supplement (Equity Linked Index Notes, Series A) dated April 4, 2012

**The Bank of Nova Scotia**

\$

**Buffered Participation Notes with a Digital Coupon, Series A**

**Linked to the Russell 2000® Index**

**Due**

**The notes will not bear interest.** The amount that you will be paid on your notes on the maturity date (expected to be the third scheduled business day after the valuation date) is based on the performance of the Russell 2000® Index (which we refer to as the reference asset) as measured from the trade date to and including the valuation date (expected to be between 18 and 21 months after the trade date). If the final level (which will be the closing level on valuation date) is equal to or greater than 85.00% of the initial level (which will be the closing level of the reference asset on the trade date), you will receive the digital coupon (expected to be between 9.80% and 11.50% for each \$1,000 principal amount of your notes). **If the final level declines by more than 15.00% from the initial level, you will lose a portion of your investment on an accelerated basis and may lose all or a substantial portion of your investment depending on the performance of the reference asset. Any payment on your notes is subject to the credit worthiness of The Bank of Nova Scotia.**

To determine your payment at maturity, we will calculate the percentage increase or decrease in the final level from the initial level, which we refer to as the percentage change. The percentage change may reflect a positive return (based on any increase in the level of the reference asset over the life of the notes) or a negative return (based on any decrease in the level of the reference asset over the life of the notes). At maturity, for each \$1,000 principal amount of your notes:

if the percentage change is *greater than* or *equal to* -15.00% (the final level is *equal to* or *greater than* 85.00% of the initial level), \$1,000 plus the digital coupon (between 9.80% and 11.50% of the principal amount); or

if the percentage change is *negative* and *is below* -15.00% (the final level is *less than* the initial level by more than 15.00%), the *sum* of (i) \$1,000 plus (ii) the *product* of (a) 1.1765 *times* (b) the *sum* of the percent change plus 15.00% *times* (c) \$1,000. You will receive less than \$1,000.

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Following the determination of the initial level, the amount you will be paid on your notes at maturity will not be affected by the closing level of the reference asset on any day other than the valuation date. You could lose all or a substantial portion of your investment in the notes. A percentage decrease of more than 15.00% between the initial level and the final level will reduce the payment you will receive at maturity below the principal amount of your notes. In addition, the notes will not bear interest, and no other payments on your notes will be made prior to maturity.

Assuming no changes in market conditions or our creditworthiness and other relevant factors, the value of your notes on trade date ( estimated value ) (as determined by reference to pricing models used by Goldman, Sachs & Co. and taking into account credit spreads of The Bank of Nova Scotia) will, and the price you may receive for your notes may, be significantly less than the original issue price. The value or quoted price of your notes at any time will reflect many factors and cannot be predicted. However, the price at which Goldman, Sachs & Co., as a potential dealer, would initially buy or sell notes (if Goldman, Sachs & Co. makes a market) and the value that Goldman, Sachs & Co. will initially use for account statements and otherwise will significantly exceed the value of your notes using such pricing models. The amount of the excess will decline on a straight line basis over the period from the date hereof through December , 2012.

The Buffered Participation Notes with a Digital Coupon, Series A Linked to the Russell 2000® Index Due (the Notes ) offered hereunder are unsecured obligations of The Bank of Nova Scotia (the Bank ) and are subject to investment risks including possible loss of the principal amount invested due to the negative performance of the reference asset and the credit risk of The Bank of Nova Scotia. As used in this pricing supplement, the Bank, we, us or our refers to The Bank of Nova Scotia.

The Notes will not be listed on any U.S. securities exchange or automated quotation system.

The return on your Notes will relate to the price return of the reference asset and will not include a total return or dividend component. The Notes are derivative products based on the performance of the reference asset. The Notes do not constitute a direct investment in any of the shares, units or other securities represented by the reference asset. By acquiring Notes, you will not have a direct economic or other interest in, claim or entitlement to, or any legal or beneficial ownership of any such share, unit or security and will not have any rights as a shareholder, unitholder or other security holder of any of the issuers including, without limitation, any voting rights or rights to receive dividends or other distributions.

**NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ( SEC ), THE ONTARIO SECURITIES COMMISSION ( OSC ) NOR ANY PROVINCIAL OR STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE NOTES OR PASSED UPON THE ACCURACY OR THE ADEQUACY OF THIS DOCUMENT, THE ACCOMPANYING PROSPECTUS, PROSPECTUS SUPPLEMENT OR PRODUCT PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES ARE NOT INSURED BY THE CANADA DEPOSIT INSURANCE CORPORATION PURSUANT TO THE CANADA DEPOSIT INSURANCE CORPORATION ACT, THE U.S. FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OF CANADA, THE UNITED STATES OR ANY OTHER JURISDICTION.**

Scotia Capital (USA) Inc., our affiliate, will purchase the Notes from us for distribution to other registered broker dealers or will offer the Notes directly to investors. Scotia Capital (USA) Inc. or any of its affiliates or agents may use this pricing supplement in market-making transactions in Notes after their initial sale. Unless we, Scotia Capital (USA) Inc. or another of its affiliates or agents selling such Notes to you informs you otherwise in the confirmation of sale, this pricing supplement is being used in a market-making transaction. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement and Supplemental Plan of Distribution on page PS-28 of the accompanying product prospectus supplement.

|  | Per Note | Total |
|--|----------|-------|
| Price to public                                  | 100.00%  | \$    |
| Underwriting commissions <sup>1</sup>            | 0.25%    | \$    |
| Proceeds to The Bank of Nova Scotia <sup>2</sup> | 99.75%   | \$    |

**Investment in the Notes involves certain risks. You should refer to Additional Risks in this pricing supplement and Additional Risk Factors Specific to the Notes beginning on page PS-5 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement.**

We will deliver the Notes in book-entry form through the facilities of The Depository Trust Company ( DTC ) on or about August 10, 2012 against payment in immediately available funds.

The difference between the estimated value of your Notes and the original issue price reflects costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with any hedging activities related to the Notes. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the trade date and you may lose all or a substantial portion of your initial investment. The Bank's profit in relation to the Notes will vary based on the difference between (i) the amounts received by the Bank in connection with the issuance and the reinvestment return received by the Bank in connection with those funds and (ii) the costs incurred by the Bank in connection with the issuance of the Notes and any hedging transactions it enters into with its affiliates or Goldman, Sachs & Co. The Bank's affiliates and Goldman, Sachs & Co. will also realize a profit that will be based on the (i) cost of creating and maintaining any hedging transactions minus (ii) the payments received on the hedging transactions.

**Scotia Capital (USA) Inc.**

**Goldman, Sachs & Co.**

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- <sup>1</sup> Scotia Capital (USA) Inc. or one of our affiliates will purchase the Notes at the Principal Amount and as part of the distribution of the Notes may pay varying discounts and underwriting commissions of up to \$2.50 per \$1,000 Principal Amount of Notes in connection with the distribution of the Notes. Scotia Capital (USA) Inc. may also receive a structuring and development fee of up to \$0.50 per \$1,000 principal amount of Notes. See Supplemental Plan of Distribution (Conflicts of Interest) in this pricing supplement.
- <sup>2</sup> Excludes profits from hedging. For additional considerations relating to hedging activities see Additional Risks The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.

**Summary**

The information in this Summary section is qualified by the more detailed information set forth in this pricing supplement, the prospectus, the prospectus supplement, and the product prospectus supplement, each filed with the SEC. See Additional Terms of Your Notes in this pricing supplement.

|                              |   |
|------------------------------|---|
| <b>Issuer:</b>               | The Bank of Nova Scotia ( the Bank )  |
| <b>Reference Asset:</b>      | The Russell 2000® Index (Bloomberg Ticker: RTY)   |
| <b>Minimum Investment</b>    |   |
| <b>and Denominations:</b>    | \$1,000 and integral multiples of \$1,000 in excess thereof   |
| <b>Principal Amount:</b>     | \$1,000 per Note  |
| <b>Original Issue Price:</b> | 100% of the Principal Amount of each Note   |
| <b>Currency:</b>             | U.S. Dollars  |
| <b>Pricing Date:</b>         | Expected to be August 3, 2012   |
| <b>Trade Date:</b>           | Expected to be August 3, 2012   |
| <b>Original Issue Date:</b>  | Expected to be August 10, 2012, (to be determined on the Trade Date and expected to be the 5th scheduled Business Day after the Trade Date).  |
| <b>Maturity Date:</b>        | (to be determined on the Trade Date and expected to be the 3rd scheduled Business Day after the Valuation Date), subject to adjustment as described in more detail in the accompanying the product prospectus supplement dated April 4, 2012.   |
| <b>Principal at Risk:</b>    | You may lose all or a substantial portion of your initial investment at maturity if there is a percentage decrease from the Initial Level to the Final Level of more than 15.00%.   |
| <b>Fees and Expenses:</b>    | Scotia Capital (USA) Inc. or one of our affiliates may pay varying discounts and underwriting commissions of up to \$2.50 per \$1,000 Principal Amount of Notes in connection with the distribution of the Notes. Scotia Capital (USA) Inc. may also receive a structuring and development fee of up to \$0.50 per \$1,000 Principal Amount of Notes. |

The price at which you purchase the Notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the Trade Date. See Additional Risks - The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices in this pricing supplement.

**Payment at Maturity:** The Payment at Maturity will be based on the performance of the Reference Asset and will be calculated as follows:

If the Final Level is greater than or equal to the Buffer Level, then the Payment at Maturity will equal:

$$\text{Principal Amount} + (\text{Principal Amount} \times \text{Digital Coupon})$$



If the Final Level is less than the Buffer Level, then the Payment at Maturity will equal:

$$\text{Principal Amount} + [\text{Principal Amount} \times \text{Buffer Rate} \times (\text{Percentage Change} + \text{Buffer Percentage})]$$

*In this case you will suffer a loss on your initial investment in an amount equal to the Buffer Rate multiplied by the negative Percentage Change in excess of the Buffer Percentage. Accordingly, you could lose up to 100% of your initial investment.*

|                           |   |
|---------------------------|---|
| <b>Initial Level:</b>     | The closing level of the Reference Asset on the Pricing Date.   |
| <b>Final Level:</b>       | The final level of the Reference Asset will be determined based upon the closing level published on the Bloomberg page RTY<Index> or any successor page on Bloomberg or any successor service, as applicable, on the Valuation Date. In certain special circumstances, the final level will be determined by the Calculation Agent, in its discretion, and such determinations will, under certain circumstances, be confirmed by an independent calculation expert. See General Terms of the Notes Unavailability of the Level of the Reference Asset on a Valuation Date and General Terms of the Notes Market Disruption Events beginning on page PS-17 and Appointment of Independent Calculation Experts on page PS-20, in the accompanying product prospectus supplement. |
| <b>Percentage Change:</b> | The Percentage Change, expressed as a percentage, with respect to the Payment at Maturity, is calculated as follows:  |
|                           | $\frac{\text{Final Level} - \text{Initial Level}}{\text{Initial Level}}$  |
|                           | For the avoidance of doubt, the Percentage Change may be a negative value.  |
| <b>Buffer Level:</b>      | To be determined on the Pricing Date (equal to the Initial Level multiplied by the difference of 100% minus the Buffer Percentage).   |
| <b>Buffer Percentage:</b> | 15.00%  |
| <b>Buffer Rate:</b>       | <u>Initial Level</u>  |
|                           | Buffer Level, which equals approximately 117.65%  |
| <b>Digital Coupon:</b>    | (to be determined on the Trade Date and expected to be between 9.80% - 11.50%).   |
| <b>Valuation Date:</b>    | (to be determined on the Trade Date and expected to be between 18 and 21 months after the Trade Date).  |

The Valuation Date could be delayed by the occurrence of a market disruption event. See General Terms of the Notes Market Disruption Events beginning on page PS-17 in the accompanying product prospectus supplement.



**CUSIP/ISIN:** CUSIP 064159775 / ISIN US0641597754

**Form of Notes:** Book-entry

**Type of Notes:** Buffered Participation Notes with a Digital Coupon, Series A

**Calculation Agent:** Scotia Capital Inc., an affiliate of the Bank

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

**Tax Redemption:** The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position, if it is determined that changes in tax laws or their interpretation will result in the Bank (or its successor) becoming obligated to pay additional amounts with respect to the Notes. See **Tax Redemption** below.

**Listing:** The Notes will not be listed on any securities exchange or quotation system.

**Use of Proceeds:** General corporate purposes

**Clearance and Settlement:** Depository Trust Company

**Business Day:** New York and Toronto

**Terms Incorporated:** All of the terms appearing above the item under the caption **General Terms of the Notes** beginning on page PS-12 in the accompanying product prospectus supplement, as modified by this pricing supplement.

**INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE YOUR ENTIRE PRINCIPAL AMOUNT. THE DOWNSIDE MARKET EXPOSURE TO THE REFERENCE ASSET IS BUFFERED ONLY AT MATURITY. ANY PAYMENT ON THE NOTES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO THE CREDITWORTHINESS OF THE BANK. IF THE BANK WERE TO DEFAULT ON ITS PAYMENT OBLIGATIONS YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE NOTES AND YOU COULD LOSE YOUR ENTIRE INVESTMENT.**

## ADDITIONAL TERMS OF YOUR NOTES

You should read this pricing supplement together with the prospectus dated February 13, 2012, as supplemented by the prospectus supplement dated February 29, 2012 and the product prospectus supplement (Equity Linked Index Notes, Series A) dated April 4, 2012, relating to our Senior Note Program, Series A, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict, this pricing supplement will control. *The Notes may vary from the terms described in the accompanying product prospectus supplement in several important ways. You should read this pricing supplement carefully.*

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in Additional Risk Factors Specific to the Notes in the accompanying product prospectus supplement, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the SEC website at [www.sec.gov](http://www.sec.gov) as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website at

<http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000009631>):

Prospectus dated February 13, 2012:

<http://sec.gov/Archives/edgar/data/9631/000119312512057287/d296062df9a.htm>

Prospectus Supplement dated February 29, 2012:

<http://sec.gov/Archives/edgar/data/9631/000119312512090175/d300613dsuppl.htm>

Product Prospectus Supplement for Equity Linked Index Notes, Series A dated April 4, 2012:

<http://sec.gov/Archives/edgar/data/9631/000119312512149817/d310079dsuppl.htm>

**The Bank of Nova Scotia has filed a registration statement (including a prospectus, a prospectus supplement, and a product prospectus supplement) with the SEC for the offering to which this pricing supplement relates. Before you invest, you should read those documents and the other documents relating to this offering that we have filed with the SEC for more complete information about us and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC Website at [www.sec.gov](http://www.sec.gov). Alternatively, The Bank of Nova Scotia, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement and the product prospectus supplement if you so request by calling 1-416-866-3672.**

## INVESTOR SUITABILITY

The Notes may be suitable for you if:

You fully understand the risks inherent in an investment in the Notes, including the risk of losing your entire initial investment.

You can tolerate a loss of up to 100% of your initial investment and are willing to make an investment that may have an accelerated downside risk greater than the downside market risk of an investment in the Reference Asset or in the Reference Asset constituent

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stocks, subject to the Buffer Percentage.

You believe that the Final Level will not decline below the Initial Level by a percentage that is greater than the Buffer Percentage, or you believe that Reference Asset will appreciate over the term of the Notes and that the appreciation is unlikely to exceed the cap on appreciation within the Digital Coupon (the actual Digital Coupon will be determined on the Trade Date).

You understand and accept that your potential return is limited to the Digital Coupon and you would be willing to invest in the Notes if the Digital Coupon was set equal to the bottom of the range indicated above.

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You can tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Reference Asset.

You do not seek current income from your investment.

You are willing to hold the Notes to maturity, a term of approximately 18 to 21 months, and accept that there may be little or no secondary market for the Notes.

You are willing to assume the credit risk of the Bank for all payments under the Notes, and understand that if the Bank defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

The Notes may not be suitable for you if:

You do not fully understand the risks inherent in an investment in the Notes, including the risk of losing your entire initial investment.

You require an investment designed to guarantee a full return of principal at maturity.

You cannot tolerate a loss of all or a substantial portion of your initial investment and are not willing to make an investment that may have an accelerated downside risk greater than the downside market risk as an investment in the Reference Asset or in the Reference Asset constituent stocks, subject to the Buffer Percentage.

You believe that the level of the Reference Asset will decline during the term of the Notes and the Final Level will likely decline below the Initial Level by a percentage that is greater than the Buffer Percentage, or you believe the Reference Asset will appreciate over the term of the Notes and that the appreciation is likely to equal or exceed the cap on appreciation within the Digital Coupon (the actual Digital Coupon will be set on the Trade Date).

You seek an investment that has unlimited return potential without a cap on appreciation and you would be unwilling to invest in the Notes if the Digital Coupon was set equal to the bottom of the range indicated above.

You cannot tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside fluctuations in the level of the Reference Asset.

You seek current income from your investment or prefer to receive dividends paid on the stocks included in the Reference Asset.

You are unwilling to hold the Notes to maturity, a term of approximately 18 to 21 months, or you seek an investment for which there will be a secondary market.

You are not willing to assume the credit risk of the Bank for all payments under the Notes.

The investor suitability considerations identified above are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should also review **Additional Risks** in this preliminary pricing supplement and the **Additional Risk Factors Specific to the Notes** beginning on page PS-5 of the Product Prospectus Supplement for Equity Linked Index Notes, Series A for risks related to an investment in the Notes.

#### EVENTS OF DEFAULT AND ACCELERATION

If the Notes have become immediately due and payable following an event of default (as defined in the accompanying prospectus) with respect to the Notes, the Calculation Agent will determine the default amount as described below.

##### *Default Amount*

The default amount for your Notes on any day (except as provided in the last sentence under **Default Quotation Period** below) will be an amount, in the specified currency for the principal of your Notes, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with

respect to your Notes as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to your Notes. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus

the reasonable expenses, including reasonable attorneys' fees, incurred by the trustees of your Notes in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for your Notes, described below, the trustees and/or the Bank may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest or, if there is only one, the only quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two business days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

#### ***Default Quotation Period***

The default quotation period is the period beginning on the day the default amount first becomes due (the due day) and ending on the third business day after that day, unless:

no quotation of the kind referred to above is obtained, or

every quotation of that kind obtained is objected to within five business days after the due day as described above.

If either of these two events occurs, the default quotation period will continue until the third business day after the first business day on which prompt notice of an objection is given as described above. If that quotation is objected to as described above within five business days after that first business day, however, the default quotation period will continue as described in the prior sentence and this sentence.

#### ***Qualified Financial Institutions***

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and that is, or whose securities are, rated either:

A-1 or higher by Standard & Poor's Ratings Services, or any successor, or any other comparable rating then used by that rating agency, or

P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

If the Notes have become immediately due and payable following an event of default, you will not be entitled to any additional payments with respect to the Notes. For more information, see Description of the Debt Securities Events of Default beginning on page I-13 of the accompanying prospectus.

## TAX REDEMPTION

The Bank (or its successor) may redeem the Notes, in whole but not in part, at a redemption price determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position, upon the giving of a notice as described below, if:

as a result of any change (including any announced prospective change) in or amendment to the laws (or any regulations or rulings promulgated thereunder) of Canada (or the jurisdiction of organization of the successor to the Bank) or of any political subdivision or taxing authority thereof or therein affecting taxation, or any change in official position regarding the application or interpretation of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment is announced or becomes effective on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), and which in the written opinion to the Bank (or its successor) of legal counsel of recognized standing has resulted or will result (assuming, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which a payment is due, additional amounts with respect to the Notes; or

on or after the Pricing Date (or, in the case of a successor to the Bank, after the date of succession), any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in, Canada (or the jurisdiction of organization of the successor to the Bank) or any political subdivision or taxing authority thereof or therein, including any of those actions specified in the paragraph immediately above, whether or not such action was taken or decision was rendered with respect to the Bank (or its successor), or any change, amendment, application or interpretation shall be officially proposed, which, in any such case, in the written opinion to the Bank (or its successor) of legal counsel of recognized standing, will result (assuming, that such change, amendment or action is applied to the Notes by the taxing authority and that, in the case of any announced prospective change, that such announced change will become effective as of the date specified in such announcement and in the form announced) in the Bank (or its successor) becoming obligated to pay, on the next succeeding date on which a payment is due, additional amounts with respect to the Notes;

and, in any such case, the Bank (or its successor), in its business judgment, determines that such obligation cannot be avoided by the use of reasonable measures available to it (or its successor).

The redemption price will be determined by the Calculation Agent, in its discretion, and such determination will, under certain circumstances, be confirmed by an independent calculation expert. See General Terms of the Notes Appointment of Independent Calculation Experts on page PS-20, in the accompanying product prospectus supplement.

In the event the Bank elects to redeem the Notes pursuant to the provisions set forth in the preceding paragraph, it shall deliver to the trustees a certificate, signed by an authorized officer, stating that the Bank is entitled to redeem such Notes pursuant to their terms in whole only.

The Bank will give notice of intention to redeem such Notes to holders of the Notes not more than 45 nor less than 30 days prior to the date fixed for redemption specifying, among other things, the date fixed for redemption, and on or promptly after the redemption date, it will give notice of the redemption price.

Other than as described above, the Notes are not redeemable prior to their maturity.

## HYPOTHETICAL PAYMENTS ON THE NOTES

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The examples set out below are included for illustration purposes only. The hypothetical Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Initial Level, the Final Level or the level of the Reference Asset on the Valuation Date or on any

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Trading Day prior to the Maturity Date. All examples assume that a holder purchased Notes with an aggregate Principal Amount of \$1,000.00, a Buffer Percentage of 15.00% (the Buffer Level is 85.00% of the Initial Level), a Buffer Rate of 117.65%, a Digital Coupon of 9.80% of the Principal Amount (the bottom of the Digital Coupon range of 9.80% and 11.50% of the Principal Amount; the actual Digital Coupon will be determined on Trade Date) and that no market disruption event occurs on the Valuation Date. Amounts below may have been rounded for ease of analysis.

Example 1 Calculation of the Payment at Maturity where the Percentage Change is positive (and less than the digital coupon).

Percentage Change: 3.00%

Payment at Maturity:  $\$1,000.00 + (\$1,000.00 \times 9.80\%) = \$1,000.00 + \$98.00 = \$1,098.00$

On a \$1,000.00 investment, a 3.00% Percentage Change results in a Payment at Maturity of \$1,098.00, a 9.80% return on the Notes, equal to the Digital Coupon. The 9.80% return corresponds to a compound annual return of % per annum (to be determined on the Trade Date).

Example 2 Calculation of the Payment at Maturity where the Percentage Change is positive (and greater than the Digital Coupon).

Percentage Change: 40.00%

Payment at Maturity:  $\$1,000.00 + (\$1,000.00 \times 9.80\%) = \$1,000.00 + \$98.00 = 1,098.00$

On a \$1,000.00 investment, a 40.00% Percentage Change results in a Payment at Maturity of \$1,098.00, a 9.80% return on the Notes, equal to the Digital Coupon. The 9.80% return corresponds to a compound annual return of % per annum (to be determined on the Trade Date).

Example 3 Calculation of the Payment at Maturity where the Percentage Change is negative (but not by more than the Buffer Percentage).

Percentage Change: -8.00%

Payment at Maturity:  $\$1,000.00 + (\$1,000.00 \times 9.80\%) = \$1,000.00 + \$9.80 = \$1,098.00$

On a \$1,000.00 investment, a -8.00% Percentage Change results in a Payment at Maturity of \$1,098.00, a 9.80% return on the Notes, equal to the Digital Coupon. The 9.80% return corresponds to a compound annual return of % per annum.

Example 4 Calculation of the Payment at Maturity where the Percentage Change is negative (the decrease is more than the Buffer Percentage).

Percentage Change: -50.00%

Payment at Maturity:  $\$1,000.00 + [\$1,000.00 \times 117.65\% \times (-50.00\% + 15.00\%)] = \$1,000.00 - \$ 411.78 = \$588.22$

On a \$1,000.00 investment, a -50.00% Percentage Change results in a Payment at Maturity of \$588.22, a -41.18% return on the Notes. The -41.18% return corresponds to a compound annual return of - % per annum (to be determined on the Trade Date).

**Accordingly, if the Percentage Change is less than -15.00%, meaning the percentage decline from the Initial Level to the Final Level is greater than 15.00%, the Bank will pay you less than the full Principal Amount, resulting in a loss on your investment that is equal to the Buffer Rate multiplied by the negative Percentage Change in excess of the Buffer Percentage. You may lose up to 100% of your principal.**

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***Any payment on the Notes, including any repayment of principal, is subject to the creditworthiness of the Bank. If the Bank were to default on its payment obligations, you may not receive any amounts owed to you under the Notes and you could lose your entire investment.***

The following graph represents hypothetical returns only and is not indicative of actual results. The graph demonstrates the hypothetical return on the Notes at maturity for the set of Percentage Changes of the Reference Asset from -100.00% to 100.00% using the same assumptions as set forth above. Your investment may result in a complete loss of your principal at maturity.

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## ADDITIONAL RISKS

An investment in the Notes involves significant risks. In addition to the following risks included in this pricing supplement, we urge you to read Additional Risk Factors Specific to the Notes beginning on page PS-5 of the accompanying product prospectus supplement and Risk Factors beginning on page S-2 of the accompanying prospectus supplement.

In particular, you should read the following risk factors (only headings included) in the Additional Risk Factors Specific to the Notes General Risks Relating to the Notes and Risks Relating to the Applicable Reference Asset sections of the accompanying product prospectus supplement:

The Buffer Level and Barrier Level Provide Only Limited Principal Protection ; The Notes May Not Pay Interest and Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity ; Your Potential Payment at Maturity May Be Limited ; Owning the Notes Is Not the Same as Owning the Reference Asset or its Components or a Security Directly Linked to the Performance of the Reference Asset or its Components ; There May Not Be an Active Trading Market for the Notes Sales in the Secondary Market May Result in Significant Losses ; The Market Value of Your Notes May Be Influenced by Many Unpredictable Factors ; Payments on the Notes Are Subject to Our Credit Risk, and Changes in Our Credit Ratings Are Expected to Affect the Market Value of the Notes ; The Amount to Be Paid at Maturity Will Not Be Affected by All Developments Relating to the Reference Asset ; We Will Not Hold Any Asset Comprising the Reference Asset for Your Benefit ; You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the Reference Asset ; Changes that Affect an Index Included in the Reference Asset Will Affect the Market Value of the Notes and the Amount You Will Receive at Maturity ; Trading and Other Transactions by the Bank or its Affiliates in the Reference Asset or Its Components, Futures, Options, Exchange-Traded Funds or Other Derivative Products May Adversely Affect the Market Value of the Notes ; The Inclusion in the Purchase Price of the Notes of an Underwriting Commission and of Our Cost of Hedging Our Market Risk under the Notes is Likely to Adversely Affect the Market Value of the Notes ; We Have No Affiliation with Any Index Sponsor and Will Not Be Responsible for Any Actions Taken by an Index Sponsor ; The Business Activities of the Bank or its Affiliates May Create Conflicts of Interest ; The Calculation Agent Can Postpone the Determination of the Final Level if a Market Disruption Event Occurs ; There Are Potential Conflicts of Interest Between You and the Calculation Agent ; The Historical Performance of the Reference Asset or its Components Should Not Be Taken as an Indication of Their Future Performance ; U.S. Taxpayers Will be Required to Pay Taxes Each Year on Notes that Are Treated as Contingent Payment Debt Instruments and Notes that Are Issued with Original Issue Discount ; Non-U.S. Investors May Be Subject to Certain Additional Risks ; Employee Retirement Income Security Act and Considerations for Employee Benefit Plans ; You Will Not Have Any Shareholder Rights and Will Have No Right to Receive any Shares of the Reference Asset at Maturity ; An Investment in the Notes May Be Subject to Risks Associated with Non-U.S. Securities Markets ; The Return on the Notes Will Be Exposed to Fluctuations in Exchange Rates that Might Affect the Level of the Reference Asset and the Payment at Maturity and We Do Not Control Any Company Included in a Reference Asset and Are Not Responsible for Any Disclosure Made by Any Other Company.

You should understand the risks of investing in the Notes and should reach an investment decision only after careful consideration, with your advisors, of the suitability of the Notes in light of your particular financial circumstances and the information set forth in this pricing supplement and the accompanying base prospectus, prospectus supplement and product prospectus supplement.

**Assuming No Changes in Market Conditions or Any Other Relevant Factors, the Market Value of Your Notes on the Trade Date (As Determined by Reference to Pricing Models Used By Goldman, Sachs & Co.) Will, and the Price You May Receive for Your Notes May, Be Significantly Less than the Original Issue Price**

The price at which Goldman, Sachs & Co. (as Dealer of the Notes) would initially buy or sell Notes (if Goldman, Sachs & Co. makes a market, which it is under no obligation to do) and the value that Goldman, Sachs & Co. will initially use for account statements and otherwise will significantly exceed the value of your Notes derived from pricing models used by Goldman, Sachs & Co. The amount of the excess will decline on a straight line basis over the period from the date hereof through December 31, 2012. After December 31, 2012, the price at which Goldman, Sachs & Co. would buy or sell Notes (if Goldman, Sachs & Co. makes a market) will reflect the value determined by reference to the pricing models, plus the Dealer's customary bid and ask spread.

The value or quoted price of your Notes at any time will reflect many factors and cannot be predicted. If Goldman, Sachs & Co. makes a market in the Notes, the price quoted by Goldman, Sachs & Co. would reflect any changes in market conditions and other relevant factors, including deterioration in the Bank's creditworthiness or perceived creditworthiness whether measured by the Bank's credit ratings or other credit measures. These changes may adversely affect the market price of your Notes, including the price you may receive for your Notes in any market making transaction. To the extent that Goldman, Sachs & Co. makes a market in the Notes, it may receive income from the spreads between its bid and offer prices for the Notes, if any. The quoted price (and the value of your Notes that Goldman, Sachs & Co. will use for account statements or otherwise) could be higher or lower than the original issue price and may be higher or lower than the value of your Notes as determined by reference to pricing models used by Goldman, Sachs & Co.

If at any time a third party dealer quotes a price to purchase your Notes or otherwise values your Notes, that price may be significantly different (higher or lower) than any price quoted by Goldman, Sachs & Co. See [The Price at Which the Notes may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased](#).

Furthermore, if you sell your Notes, you will likely be charged a commission for secondary market transactions, or the price will likely reflect a dealer discount. There is no assurance that Goldman, Sachs & Co. or any other party will be willing to purchase your Notes; and, in this regard, Goldman, Sachs & Co. is not obligated to make a market in the Notes. See [The Notes Lack Liquidity](#).

#### **The Inclusion of Dealer Spread and Projected Profit from Hedging in the Original Issue Price is Likely to Adversely Affect Secondary Market Prices**

Assuming no change in market conditions or any other relevant factors, the price, if any, at which Scotia Capital (USA) Inc. or any other party is willing to purchase the Notes at any time in secondary market transactions will likely be significantly lower than the original issue price, since secondary market prices are likely to exclude underwriting commissions paid with respect to the Notes and the cost of hedging our obligations under the Notes that are included in the original issue price. The cost of hedging includes the projected profit that we and/or our subsidiaries may realize in consideration for assuming the risks inherent in managing the hedging transactions. These secondary market prices are also likely to be reduced by the costs of unwinding the related hedging transactions. In addition, any secondary market prices may differ from values determined by pricing models used by Scotia Capital (USA) Inc. as a result of dealer discounts, mark-ups or other transaction costs.

#### **Risk of Loss at Maturity**

Any payment on the Notes at maturity depends on the Percentage Change of the Reference Asset. The Bank will only repay you the full Principal Amount of your Notes if the Percentage Change is equal to or greater than -15.00%. If the Percentage Change is less than -15.00%, meaning the percentage decline from the Initial Level to the Final Level is greater than the 15.00% Buffer Percentage, you will lose a significant portion of your initial investment in an amount equal to the Buffer Rate multiplied by that negative Percentage Change in excess of the Buffer Percentage. *Accordingly, you may lose your entire investment in the Notes if the percentage decline from the Initial Level to the Final Level is greater than 15.00%.*

#### **The Downside Market Exposure to the Reference Asset is Buffered Only at Maturity**

You should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the level of the Reference Asset at such time is not below the Initial Level by a percentage greater than the Buffer Percentage.

#### **Your Potential Payment at Maturity Is Limited by the Digital Coupon**

The return on the Notes will not exceed the Digital Coupon. Therefore, if the appreciation of the Reference Asset exceeds the cap on appreciation set by the Digital Coupon, the Notes will provide less opportunity to participate in the appreciation of the Reference Asset than an investment in a security linked to the Reference Asset providing full participation in the appreciation.

Accordingly, the return on the Notes may be less than the return would be if you made an investment in a security directly linked to the positive performance of the Reference Asset.

#### **The Notes Differ from Conventional Debt Instruments**

The Notes are not conventional notes or debt instruments. The Notes do not provide you with interest payments prior to maturity as a conventional fixed-rate or floating-rate debt security with the same maturity would. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of the Bank.

#### **No Interest**

The Notes will not bear interest and, accordingly, you will not receive any interest payments on the Notes.

#### **Your Investment is Subject to the Credit Risk of The Bank of Nova Scotia**

The Notes are senior unsecured debt obligations of the Bank, and are not, either directly or indirectly, an obligation of any third party. As further described in the accompanying prospectus, prospectus supplement and product prospectus supplement, the Notes will rank on par with all of the other unsecured and unsubordinated debt obligations of the Bank, except such obligations as may be preferred by operation of law. Any payment to be made on the Notes, including the Payment at Maturity, depends on the ability of the Bank to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of the Bank may affect the market value of the Notes and, in the event the Bank were to default on its obligations, you may not receive the amounts owed to you under the terms of the Notes. If you sell the Notes prior to maturity, you may receive substantially less than the Principal Amount of your Notes.

#### **The Notes are Subject to Market Risk**

The return on the Notes is directly linked to the performance of the Reference Asset and indirectly linked to the value of the Reference Asset constituent stocks, and the extent to which the Percentage Change is positive or negative. The levels of the Reference Asset can rise or fall sharply due to factors specific to the Reference Asset constituent stocks, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions.

#### **The Digital Coupon Applies Only at Maturity**

You should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to maturity in the secondary market, the price you receive will likely not reflect the full economic value of the Digital Coupon or the Notes themselves, and the return you realize may be less than the Digital Coupon even if such return is positive. You can receive the full benefit of the Digital Coupon only if you hold your Notes to maturity.

#### **The Payment at Maturity Is Not Linked to the Level of the Reference Asset at Any Time Other Than the Valuation Date**

The Payment at Maturity will be based on the Final Level (subject to adjustments as described). Therefore, for example, if the closing level of the Reference Asset declined substantially as of the Valuation Date compared to the Trade Date, the Payment at Maturity may be significantly less than it would otherwise have been had the Payment at Maturity been linked to the closing levels of the Reference Asset prior to the Valuation Date. Although the actual level of the Reference Asset at maturity or at other times during the term of the Notes may be higher than the Final Level, you will not benefit from the closing levels of the Reference Asset at any time other than the Valuation Date.

**If the Levels of the Reference Asset or the Reference Asset Constituent Stocks Change, the Market Value of Your Notes May Not Change in the Same Manner**

Your Notes may trade quite differently from the performance of the Reference Asset or the Reference Asset constituent stocks. Changes in the levels of the Reference Asset or the Reference Asset constituent stocks may not result in a comparable change in the market value of your Notes. We discuss some of the reasons for this disparity under [The Price at Which the Notes may be Sold prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased](#) below.

**Holding the Notes is Not the Same as Holding the Reference Asset Constituent Stocks**

Holding the Notes is not the same as holding the Reference Asset constituent stocks. As a holder of the Notes, you will not be entitled to the voting rights or rights to receive dividends or other distributions or other rights that holders of the Reference Asset constituent stocks would enjoy.

**No Assurance that the Investment View Implicit in the Notes Will Be Successful**

It is impossible to predict with certainty whether and the extent to which the level of the Reference Asset will rise or fall. There can be no assurance that the percentage decline from the Initial Level to the Final Level will not be greater than the Buffer Percentage. The Final Level may be influenced by complex and interrelated political, economic, financial and other factors that affect the Reference Asset constituent stocks. You should be willing to accept the risks of the price performance of equity securities in general and the Reference Asset constituent stocks in particular, and the risk of losing some or all of your initial investment.

Furthermore, we cannot give you any assurance that the future performance of the Reference Asset or the Reference Asset constituent stocks will result in your receiving an amount greater than or equal to the Principal Amount of your Notes. Certain periods of historical performance of the Reference Asset or the Reference Asset constituent stocks would have resulted in you receiving less than the Principal Amount of your Notes if you had owned notes with terms similar to these Notes in the past. See [Information Regarding The Reference Asset](#) in this pricing supplement for further information regarding the historical performance of the Reference Asset.

**The Reference Asset Reflects Price Return Only and Not Total Return**

The return on your Notes is based on the performance of the Reference Asset, which reflects the changes in the market prices of the Reference Asset constituent stocks. It is not, however, linked to a total return index or strategy, which, in addition to reflecting those price returns, would also reflect dividends paid on the Reference Asset constituent stocks. The return on your Notes will not include such a total return feature or dividend component.

**An Investment in the Notes is Subject to Risks Associated with Small Capitalization Stocks**

The Reference Asset constituent stocks are issued by companies with relatively small market capitalization. The stock prices of smaller companies may be more volatile than stock prices of large capitalization companies. These companies often have greater stock price volatility, lower trading volume and less liquidity than large-capitalization companies. Stock prices of small-capitalization companies are also more vulnerable than those of large-capitalization companies to adverse business and economic developments, and the stocks of small-capitalization companies may be thinly traded, making it difficult for the relevant fund to buy and sell them. In addition, small capitalization companies are typically less stable financially than large-capitalization companies and may depend on a small number of key personnel, making them more vulnerable to loss of personnel. Small-capitalization companies are often given less analyst coverage and may be in early, and less predictable, periods of their corporate existences. Such companies tend to have smaller revenues, less diverse product lines, smaller shares of their product or service markets, fewer financial resources and less competitive strengths than large-capitalization companies and are more susceptible to adverse developments related to their products.

#### **Past Performance is Not Indicative of Future Performance**

The actual performance of the Reference Asset over the life of the Notes, as well as the amount payable at maturity, may bear little relation to the historical performance of the Reference Asset or to the hypothetical return examples set forth elsewhere in this pricing supplement. We cannot predict the future performance of the Reference Asset.

#### **Changes Affecting the Reference Asset Could Have an Adverse Effect on the Value of the Notes**

The policies of Frank Russell Company, the sponsor of the Reference Asset (the Sponsor), concerning additions, deletions and substitutions of the Reference Asset constituent stocks and the manner in which the Sponsor takes account of certain changes affecting those Reference Asset constituent stocks may adversely affect the level of the Reference Asset. The policies of the Sponsor with respect to the calculation of the Reference Asset could also adversely affect the level of the Reference Asset. The Sponsor may discontinue or suspend calculation or dissemination of the Reference Asset. Any such actions could have a material adverse effect on the value of the Notes.

#### **The Bank Cannot Control Actions by the Sponsor and the Sponsor Has No Obligation to Consider Your Interests**

The Bank and its affiliates are not affiliated with the Sponsor and have no ability to control or predict its actions, including any errors in or discontinuation of public disclosure regarding methods or policies relating to the calculation of the Reference Asset. The Sponsor is not involved in the Notes offering in any way and has no obligation to consider your interest as an owner of the Notes in taking any actions that might negatively affect the market value of your Notes.

#### **The Price at Which the Notes May Be Sold Prior to Maturity will Depend on a Number of Factors and May Be Substantially Less Than the Amount for Which They Were Originally Purchased**

The price at which the Notes may be sold prior to maturity will depend on a number of factors. Some of these factors include, but are not limited to: (i) actual or anticipated changes in the level of the Reference Asset over the full term of the Note, (ii) volatility of the level of the Reference Asset and the market's perception of future volatility of the level of the Reference Asset, (iii) changes in interest rates generally, (iv) any actual or anticipated changes in our credit ratings or credit spreads, and (v) time remaining to maturity. In particular, because the provisions of the Note relating to the Payment at Maturity and the Digital Coupon behave like options, the value of the Note will vary in ways which are non-linear and may not be intuitive.

Depending on the actual or anticipated level of the Reference Asset and other relevant factors, the market value of the Notes may decrease and you may receive substantially less than 100% of the issue price if you sell your Notes prior to maturity.

#### **The Notes Lack Liquidity**

The Notes will not be listed on any securities exchange or automated quotation system. Therefore, there may be little or no secondary market for the Notes. Scotia Capital (USA) Inc. may, but is not obligated to, make a market in the Notes. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Notes easily. Because we do not expect that other broker-dealers will participate significantly in the secondary market for the Notes, the price at which you may be able to trade your Notes is likely to depend on the price, if any, at which Scotia Capital (USA) Inc. is willing to purchase the Notes from you. If at any time Scotia Capital (USA) Inc. was not to make a market in the Notes, it is likely that there would be no secondary market for the Notes. Accordingly, you should be willing to hold your Notes to maturity.

#### **Hedging Activities by the Bank and the Dealer May Negatively Impact Investors in the Notes and Cause Our Respective Interests and Those of Our Clients and Counterparties to Be Contrary to Those of Investors in the Notes**

The Bank or one or more of our respective affiliates and the Dealer or one or more of its affiliates has hedged or expects to hedge the obligations under the Notes by purchasing futures and/or other instruments linked to the Reference Asset. The Bank, the Dealer or one or more of our respective affiliates also expects to adjust the hedge by, among other things, purchasing or selling any of the foregoing, and perhaps other instruments linked to the Reference Asset or one or more of the Reference Asset constituent stocks, at any time and from time to time, and to unwind the hedge by selling any of the foregoing on or before the Valuation Date.



The Bank, the Dealer or one or more of our respective affiliates may also enter into, adjust and unwind hedging transactions relating to other basket- or index-linked Notes whose returns are linked to changes in the level or price of the Reference Asset or the Reference Asset constituent stocks. Any of these hedging activities may adversely affect the level of the Reference Asset directly or indirectly by affecting the price of the Reference Asset constituent stocks and therefore the market value of the Notes and the amount you will receive, if any, on the Notes. In addition, you should expect that these transactions will cause the Bank, or our affiliates, or our clients or counterparties, to have economic interests and incentives that do not align with, and that may be directly contrary to, those of an investor in the Notes. The Bank, the Dealer, or one of our respective affiliates, will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions based on the potential effect on an investor in the Notes, and may receive substantial returns with respect to these hedging activities while the value of the Notes may decline.

**Market Activities by the Bank, Scotia Capital (USA) Inc. and by the Dealer for Our Own Account or for Our Clients Could Negatively Impact Investors in the Notes**

The Bank, Scotia Capital (USA) Inc. and our respective affiliates and the Dealer or one or more of its affiliates provide a wide range of financial services to a substantial and diversified client base. As such, we each may act as an investor, investment banker, research provider, investment manager, investment advisor, market maker, trader, prime broker or lender. In those and other capacities, we, the Dealer and/or our affiliates purchase, sell or hold a broad array of investments, actively trade securities (including the Notes or other securities that we have issued), the Reference Asset constituent stocks, derivatives, loans, credit default swaps, indices, baskets and other financial instruments and products for our own accounts or for the accounts of our customers, and we will have other direct or indirect interests, in those securities and in other markets that may be not be consistent with your interests and may adversely affect the level of the Reference Asset and/or the value of the Notes. Any of these financial market activities may, individually or in the aggregate, have an adverse effect on the level of the Reference Asset and the market for your Notes, and you should expect that our interests and those of our affiliates, or our respective clients or counterparties, will at times be adverse to those of investors in the Notes.

The Bank, Scotia Capital (USA) Inc., the Dealer and our respective affiliates regularly offer a wide array of securities, financial instruments and other products into the marketplace, including existing or new products that are similar to the Notes or other securities that we may issue, the Reference Asset constituent stocks or other securities or instruments similar to or linked to the foregoing. Investors in the Notes should expect that the Bank, the Dealer and our respective affiliates will offer securities, financial instruments, and other products that may compete with the Notes for liquidity or otherwise.

**The Bank, Scotia Capital (USA) Inc., the Dealer and Our Respective Affiliates Regularly Provide Services to, or Otherwise Have Business Relationships with, a Broad Client Base, Which Has Included and May Include Us and the Issuers of the Reference Asset Constituent Stocks**

The Bank, Scotia Capital (USA) Inc. and our respective affiliates regularly provide financial advisory, investment advisory and transactional services to a substantial and diversified client base. You should assume that we or they will, at present or in the future, provide such services or otherwise engage in transactions with, among others, us and the issuers of the Reference Asset constituent stocks, or transact in securities or instruments or with parties that are directly or indirectly related to these entities. These services could include making loans to or equity investments in those companies, providing financial advisory or other investment banking services, or issuing research reports. You should expect that the Bank, and our affiliates, in providing these services, engaging in such transactions, or acting for our own accounts, may take actions that have direct or indirect effects on the Notes or other securities that we may issue, the Reference Asset constituent stocks or other securities or instruments similar to or linked to the foregoing, and that such actions could be adverse to the interests of investors in the Notes. In addition, in connection with these activities, certain personnel within us, or our affiliates may have access to confidential material non-public information about these parties that would not be disclosed to investors in the Notes.

**Other Investors in the Notes May Not Have the Same Interests as You**

The interests of other investors may, in some circumstances, be adverse to your interests. Other investors may make requests or recommendations to us regarding the establishment of transactions on terms that are adverse to your interests, and investors in the Notes are not required to take into account the interests of any other investor in exercising remedies, voting or other rights in their capacity as Noteholders. Further, other investors may enter into market transactions with respect to the Notes, assets that are the same or similar to the Notes, assets referenced by the Notes (such as stocks or stock indices) or other similar assets or securities which may adversely impact the market for or value of your Notes. For example, an investor could take a short position (directly or indirectly through derivative transactions) in respect of securities similar to your Notes or in respect of the Reference Asset.

**The Calculation Agent Can Postpone the Valuation Date for the Notes if a Market Disruption Event with Respect to the Reference Asset Occurs**

If the Calculation Agent determines, in its sole discretion, that, on a day that would otherwise be the Valuation Date, a market disruption event with respect to the Reference Asset has occurred or is continuing for the Reference Asset, the Valuation Date will be postponed until the first following trading day on which no market disruption event occurs or is continuing, although the Valuation Date will not be postponed by more than seven scheduled trading days. Moreover, if the Valuation Date is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the Valuation Date, and the Calculation Agent will determine the applicable Final Level that must be used to determine the Payment at Maturity. Under certain circumstances, the determinations of the Calculation Agent will be confirmed by an independent expert. See General Terms of the Notes Unavailability of the Level of the Reference Asset on a Valuation Date and General Terms of the Notes Market Disruption Events beginning on PS-17 and Appointment of Independent Calculation Experts on page PS-20, in the accompanying product prospectus supplement.

**There Is No Affiliation Between Any Constituent Stock Issuers or the Reference Asset Sponsor and Us or the Dealer, and Neither We Nor the Dealer is Responsible for Any Disclosure by Any of the Other Reference Asset Constituent Stock Issuers or the Reference Asset Sponsor**

The Bank, Scotia Capital (USA) Inc., the Dealer and our respective affiliates may currently, or from time to time in the future, engage in business with the issuers of the Reference Asset constituent stocks. Nevertheless, neither we nor our affiliates assume any responsibility for the accuracy or the completeness of any information about the Reference Asset or any of the other Reference Asset constituent stocks. Before investing in the Notes you should make your own investigation into the Reference Asset and the issuers of the Reference Asset constituent stocks. See the section below entitled Information Regarding the Reference Asset in this pricing supplement for additional information about the Reference Asset.

**Uncertain Tax Treatment**

Significant aspects of the tax treatment of the Notes are uncertain. You should consult your tax advisor about your own tax situation. See Certain Canadian Income Tax Consequences and Certain U.S. Federal Income Tax Considerations in this pricing supplement.

## Business of the Bank

For risk factors relating to the business of the Bank, you should consider the categories of risks (such as credit risk, market risk, liquidity risk, operational risk, reputational risk and environmental risk) identified and discussed in the Bank's annual information form dated December 2, 2011 for the year ended October 31, 2011 (the AIF) and the Bank's management's discussion and analysis of financial condition and results of operations for the year ended October 31, 2011 (the Annual MD&A). Each of the AIF and the Annual MD&A is incorporated into the Base Shelf Prospectus.

## INFORMATION REGARDING THE REFERENCE ASSET

The Russell 2000<sup>®</sup> Index, which we refer to as the Russell 2000<sup>®</sup> Index, is an index calculated, published and disseminated by Russell Investment Group (Russell), and measures the composite price performance of stocks of 2,000 companies in the U.S. equity market. Additional information about the Russell 2000<sup>®</sup> Index is available on the following website: [http://www.russell.com/Indexes/data/fact\\_sheets/us/Russell\\_2000\\_Index.asp](http://www.russell.com/Indexes/data/fact_sheets/us/Russell_2000_Index.asp).

Russell divides the 2,000 companies included in the Russell 2000<sup>®</sup> Index into ten sectors. The sectors include: Consumer Discretionary, Consumer Staples, Energy, Financial Services, Health Care, Industrials, Materials & Processing, Producer Durables, Technology and Utilities.

As of June 29, 2012, the 2,000 companies included in the Russell 2000<sup>®</sup> Index were divided into nine Russell Global Sectors. The Russell Global Sectors include (with the approximate percentage currently included in such sectors indicated in parentheses): Consumer Discretionary (14.97%), Consumer Staples (3.38%), Financial Services (22.22%), Health Care (13.57%), Materials & Processing (7.04%), Other Energy (5.83%), Producer Durables (13.84%), Technology (14.67%) and Utilities (4.48%). (Sector designations are determined by the index sponsor using criteria it has selected or developed. Index sponsors may use very different standards for determining sector designations. In addition, many companies operate in a number of sectors, but are listed in only one sector and the basis on which that sector is selected may also differ. As a result, sector comparisons between indices with different index sponsors may reflect differences in methodology as well as actual differences in the sector composition of the indices.)

The index includes approximately 2,000 of the smallest securities that form the Russell 3000<sup>®</sup> Index. The Russell 3000<sup>®</sup> Index is comprised of the 3,000 largest companies, or 98% based on market capitalization, of the investable U.S. equity market. The Russell 2000<sup>®</sup> Index represents approximately 10% of the total market capitalization of the Russell 3000<sup>®</sup> Index. The Russell 2000<sup>®</sup> Index is designed to track the performance of the small capitalization segment of the U.S. equity market.

### *Selection of Constituent Stocks of the Russell 2000<sup>®</sup> Index*

The Russell 2000<sup>®</sup> Index is a sub-index of the Russell 3000<sup>®</sup> Index. To be eligible for inclusion in the Russell 3000<sup>®</sup> Index, and, consequently, the Russell 2000<sup>®</sup> Index, a company's stocks must be listed on the last trading day of May of a given year and Russell must have access to documentation verifying the company's eligibility for inclusion. Eligible initial public offerings are added to Russell U.S. Indices at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

A company is included in the U.S. equity markets and is eligible for inclusion in the Russell 3000<sup>®</sup> Index, and consequently, the Russell 2000<sup>®</sup> Index, if that company incorporates in, has its headquarters in and also trades with the highest liquidity (as defined by a two-year average daily dollar trading volume from all exchanges) in the United States or its territories. If a company satisfies any one of these criteria and the primary location of that company's assets or its revenue, based on an

average of two years of assets or revenues data, is also in the United States, that company will also be considered part of the U.S. equity market. In addition, if there is insufficient information to assign a company to the U.S. equity markets based on its assets or revenue, the company may nonetheless be assigned to the U.S. equity markets if the headquarters of the company is located in certain benefit-driven incorporation countries, or BDI countries, and that company's most liquid stock exchange is also in the United States. The BDI countries are Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Faroe Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles, Panama and Turks and Caicos Islands. ADRs and ADSs are not eligible for inclusion in the Russell 2000® Index.

*Exclusions from the Russell 2000® Index*

Russell specifically excludes the following securities from the Russell 2000® Index : (i) preferred and convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights and trust receipts; (ii) royalty trusts, limited liability companies, closed-end investment companies (business development companies are eligible), blank check companies, special purpose acquisition companies and limited partnerships; (iii) companies with a total market capitalization less than \$30 million; (iv) companies with only a small portion of their shares available in the marketplace (companies with 5% or less float); and (v) bulletin board, pink sheets or over-the-counter traded securities.

*Initial List of Eligible Securities*

The primary criterion Russell uses to determine the initial list of securities eligible for the Russell 3000® Index and consequently, the Russell 2000® Index, is total market capitalization, which is calculated by multiplying the total outstanding shares for a company times the market price as of the last trading day in May. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (e.g., tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above \$1.00 on their primary exchange on the last trading day of May of each year to be eligible for inclusion in the Russell 2000® Index. In order to reduce unnecessary turnover, if an existing member's closing price is less than \$1.00 on the last trading day of May, it will be considered eligible if the average of the daily closing prices from their primary exchange during the month of May is equal to or greater than \$1.00.

*Annual Reconstitution*

The Russell 2000® Index is reconstituted annually by Russell to reflect changes in the marketplace. The list of companies is ranked based on total market capitalization on the last trading day in May, with the actual reconstitution effective on the first trading day following the final Friday of June each year, unless the final Friday in June is the 28th, 29th or 30th, in which case reconstitution will be effective on the preceding Friday. Changes in the constituents are preannounced and subject to change if any corporate activity occurs or if any new information is received prior to release.

*Index Calculation and Capitalization Adjustments*

As a capitalization-weighted index, the Russell 2000® Index reflects changes in the capitalization, or market value, of the underlier stocks relative to the capitalization on a base date. This discussion describes the price return calculation of the Russell 2000® Index. The applicable pricing supplement will describe the calculation if the underlier for your notes is not the price return calculation. The current Russell 2000 Index value is the compounded result of the cumulative daily (or monthly) return percentages, where the starting value of the index is equal to the base value (100) and base date (December 31, 1978). Returns between any two dates can then be derived by dividing the ending period index value ( $IV_1$ ) by the beginning period ( $IV_0$ ) index value, so that the return equals  $[(IV_1 / IV_0) - 1] * 100$ . The ending period index value, for purposes of calculating the Russell 2000® Index value, on any date is determined by adding the market values of the underlier stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 2,000 stocks. To calculate the Russell 2000 Index, last sale prices will be used for exchange-traded and NASDAQ stocks. In the event of a market disruption resulting in any underlier stock price to be unavailable, Russell will generally use the last reported price for such underlier stock for the purpose of performance calculation.

Constituent stocks of the index are weighted in the Russell 2000® Index by their free-float market capitalization, which is calculated by multiplying the primary closing price by the number of free-float shares. Free-float shares are shares that are available to the public for purchase as determined by Russell. Russell determines shares available to the public for purchase based on information recorded in corporate filings with the Securities and Exchange Commission and other reliable sources in the event of missing or questionable data. Russell removes the following types of shares from total market capitalization to arrive at free-float market capitalization:

*Corporate cross-owned shares* shares of a company in the index that are held by another company that is included in any other Russell index;

*Large private and corporate holdings* shares held by an individual, a group of individuals acting together or a corporation (that is included in the index) if such shareholdings constitute 10% or more of the shares outstanding. Institutional holdings, including investment companies, partnerships, insurance companies, mutual funds, banks or venture capital firms, are not excluded unless the firm has a direct relationship to the company, such as board representation, in which case they are considered strategic holdings and excluded;

*ESOP or LESOP shares* shares held by employee stock ownership plans and leveraged employee stock ownership plans that comprise 10% or more of a company's outstanding shares;

*Unlisted share classes* classes of common stock that are not traded on a U.S. securities exchange;

*Initial public offering lock-ups* shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index; and

*Government holdings* shareholdings listed as government of . Shares held by government investment boards and/or investment arms are treated like shares held by large private shareholdings and are excluded if the number of shares is greater than 10% of outstanding shares. Shares held by a government pension plan are considered institutional holdings and will not be excluded.

#### *Corporate Actions Affecting the Index*

Russell adjusts the index in response to certain corporate actions and events. The adjustment is applied when Russell determines that the corporate action or event is final based on sources of public information, including press releases and Securities and Exchange Commission filings. Prior to the completion of a corporate action or event, Russell estimates the effective date. Russell will then adjust the anticipated effective date based on public information until the date is considered final. Depending on the time on a given day that an action is determined to be final, Russell will generally either (1) apply the action after the close of the then-current market day (t) or (2) apply the action after the close of the following day (t + 1). Russell applies the following methodology guidelines when adjusting the index in response to corporate actions and events:

*No Replacement Rule* Securities that are deleted from the Index between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Index over the past year will fluctuate according to corporate activity.

#### *Mergers and Acquisitions*

*Between constituents:* When mergers and acquisitions take place between companies that are both constituents of a Russell index, the acquired company is deleted and its market capitalization moves to the acquiring company's stock. Russell categorizes the surviving entity based on a weighted average of the market value of the two companies prior to the merger using market values as of the day immediately before Russell determines that the action or event is final.

**Between a constituent and a non-constituent:** If the acquiring company is not a member of a Russell index, Russell will analyze the transaction to determine whether it constitutes a reverse merger. A reverse merger occurs when the acquiring company is a private, non-publicly traded company or OTC company, and the acquisition results in a transaction whereby a new publicly traded company is created that meets all of the requirements for inclusion in a Russell index based on market capitalization using the opening price on the day after the merger or acquisition is considered final. In such a case, the newly formed entity will be placed in the Russell 2000® Index, if appropriate, and the acquired company simultaneously removed from the Russell 2000® Index, after the close of the market on the day after the merger is considered final. If the event does not qualify as a reverse merger, the acquired company is deleted after the action is determined to be final.

**Reincorporation** Members of a Russell U.S. index, like the Russell 2000 Index, that reincorporate to another country and continue to trade in the United States and companies that reincorporate to the United States during the year are analyzed for assignment by Russell during annual reconstitution. Members that reincorporate in another country and no longer trade in the United States are immediately deleted from the Russell U.S. indices.

**Rights Offerings** Rights offered to shareholders are reflected in the index on the date the offer expires for non-transferable rights and on the ex-date for transferable rights. In both cases, the price is adjusted to account for the value of the right on the ex-date and the shares are increased according to the terms of the offering on that date. Rights issued in anticipation of a take-over event are excluded from this treatment.

**Spin-offs and Initial Public Offerings** The only additions between reconstitution dates result from spin-offs and initial public offerings. Spin-off companies are added to the parent company's index and capitalization tier of membership, if the spin-off is large enough. To be eligible, the spun-off company's total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E Index at the latest reconstitution. Eligible initial public offerings are added to the Russell 2000 Index at the end of each calendar quarter.

**Tender Offers** A company acquired as the result of a tender offer is removed when the offer has fully expired and when it is determined that the company will finalize the process with a short-form merger. Because this information is typically not available until after the close, the company will be removed the day after the process is final at the last traded market price.

**Delisted and Halted Stocks** When stocks are deleted from the index as a result of exchange de-listing or reconstitution, the price used will be the closing primary exchange price on the day the action is final (t), or the following day (t+1) using the closing OTC bulletin board price. Halted securities are not removed from the index until the time they are actually delisted from the exchange. If a security is halted, it remains in the index at the last traded price until the security resumes trading or is officially delisted.

**Bankruptcy and Voluntary Liquidations** Companies that file for a Chapter 7 liquidation bankruptcy or have filed a liquidation plan will be removed from the index at the time of the bankruptcy filing; whereas companies filing for a Chapter 11 reorganization bankruptcy will remain a member of the index, unless the company is de-listed from the primary exchange, in which case normal de-listing rules apply. If a company files for bankruptcy, is delisted and it can be confirmed that it will not trade OTC, Russell may remove the stock at a nominal price of \$0.0001.

**Stock Distributions** A price adjustment for stock distributions is applied on the ex-date of the distribution. When the number of shares for the distribution is fixed, Russell increases the number of shares on the ex-date. When the number of shares is an undetermined amount based on future earnings and profits, Russell increases the number of shares on the pay-date.

**Updates to Share Capital** Changes to shares outstanding due to buybacks (including Dutch auctions), secondary offerings, merger activity with a non-index member and other potential changes are generally updated at the end of the

month in which the change is reflected in vendor-supplied updates. Russell verifies this information using publicly available information filed with the Securities and Exchange Commission. Russell only applies such changes if the aggregate change in the number of shares outstanding is greater than 5%. The float factor determined during the most recent annual reconstitution is applied to this figure, and only the available shares will be added to the index. No such changes are made in June due to the most recent annual reconstitution.

*License Agreement between Frank Russell Company and the Bank*

Frank Russell Company ( FRC ) and the Bank have entered into a non-exclusive license agreement providing for the license to the Bank, and certain of its affiliates, in exchange for a fee, of the right to use the Russell 2000<sup>®</sup> Index in connection with securities, including the Notes. The Russell 2000<sup>®</sup> Index is owned and published by FRC.

The license agreement between FRC and the Bank provides that the following language must be set forth in this pricing supplement:

The Notes are not sponsored, endorsed, sold or promoted by FRC . FRC makes no 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 Russell 2000<sup>®</sup> Index to track general stock market performance. FRC 's only relationship to the Bank is the licensing of certain trademarks and trade names of Russell and of the Russell 2000<sup>®</sup> Index which is determined, composed and calculated by FRC without regard to the Bank or the Notes. FRC has no obligation to take the needs of the Bank or the owners of the Notes into consideration in determining, composing or calculating the Russell 2000<sup>®</sup> Index. FRC 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. FRC has no obligation or liability in connection with the administration, marketing or trading of the Notes.

FRC DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE RUSSELL 2000<sup>®</sup> INDEX OR ANY DATA INCLUDED THEREIN AND FRC SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. FRC MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE BANK, OWNERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE RUSSELL 2000<sup>®</sup> INDEX OR ANY DATA INCLUDED THEREIN. FRC MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE RUSSELL 2000<sup>®</sup> INDEX OR ANY DATA INCLUDED THEREIN.

WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL FRC HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Russell 2000<sup>®</sup> is a trademark of FRC and has been licensed for use by the Bank. The Notes are not sponsored, endorsed, sold or promoted by FRC and FRC makes no representation regarding the advisability of investing in the Notes.

**Historical Information**

The following table sets forth the quarterly high and low closing levels for the Reference Asset, based on daily closing levels. The closing level of the Reference Asset on July 30, 2012 was 791.58. *Past performance of the Reference Asset is not indicative of the future performance of the Reference Asset.*

| Quarter Begin | Quarter End | Quarterly High | Quarterly Low | Quarterly Close |
|---------------|-------------|----------------|---------------|-----------------|
| 1/2/2009      | 3/31/2009   | 514.71         | 343.26        | 422.75          |
| 4/1/2009      | 6/30/2009   | 531.68         | 429.16        | 508.28          |
| 7/1/2009      | 9/30/2009   | 620.69         | 479.27        | 604.28          |
| 10/1/2009     | 12/31/2009  | 634.07         | 562.40        | 625.39          |
| 1/4/2010      | 3/31/2010   | 690.30         | 586.49        | 678.64          |
| 4/1/2010      | 6/30/2010   | 741.92         | 609.49        | 609.49          |
| 7/1/2010      | 9/30/2010   | 677.64         | 590.03        | 676.14          |
| 10/1/2010     | 12/31/2010  | 792.35         | 669.45        | 783.65          |
| 1/3/2011      | 3/31/2011   | 843.55         | 773.18        | 843.55          |
| 4/1/2011      | 6/30/2011   | 865.29         | 777.20        | 827.43          |
| 7/1/2011      | 9/30/2011   | 858.11         | 643.42        | 644.16          |
| 10/3/2011     | 12/31/2011  | 765.43         | 609.49        | 740.92          |
| 1/3/2012      | 3/31/2012   | 846.13         | 747.28        | 830.30          |
| 4/2/2012      | 6/30/2012   | 840.63         | 737.24        | 798.49          |
| 7/2/2012*     | 7/30/2012*  | 818.49         | 767.75        | 791.58          |

\* As of the date of this pricing supplement, available information for the third calendar quarter of 2012 includes data for the period from July 2, 2012 through July 30, 2012. Accordingly, the Quarterly High, Quarterly Low and Quarterly Close data indicated are for this shortened period only and do not reflect complete data for the third calendar quarter of 2012.

The graph below illustrates the performance of the Reference Asset from January 2, 2002 through July 30, 2012. The dotted line represents a hypothetical Buffer Level of 672.843, which is equal to 85% of the closing level of the Reference Asset on July 30, 2012. In addition, below the graph is a table setting forth the year on year percentage gain or loss in the level of the Reference Asset. *Past performance of the Reference Asset is not indicative of the future performance of the Reference Asset.*

| Start of Period | End of Period | Percentage Increase or Decrease |
|-----------------|---------------|---------------------------------|
| 7/30/2002       | 7/30/2003     | 17.93%                          |
| 7/30/2003       | 7/30/2004     | 16.60%                          |
| 7/30/2004       | 7/30/2005     | 23.85%                          |
| 7/30/2005       | 7/30/2006     | 2.60%                           |
| 7/30/2006       | 7/30/2007     | 11.94%                          |
| 7/30/2007       | 7/30/2008     | -8.34%                          |
| 7/30/2008       | 7/30/2009     | -22.40%                         |
| 7/30/2009       | 7/30/2010     | 16.69%                          |
| 7/30/2010       | 7/30/2011     | 21.81%                          |
| 7/30/2011       | 7/30/2012     | -0.16%                          |

We obtained the information regarding the historical performance of the Reference Asset in the tables and graph above from Bloomberg Financial Markets.

We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Financial Markets and have not undertaken an independent review or due diligence of the information. The historical performance of the Reference Asset should not be taken as an indication of its future performance, and no assurance can be given as to the Final Level of the Reference Asset. We cannot give you assurance that the performance of the Reference Asset will result in any positive return on your initial investment.

#### SUPPLEMENTAL PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

Scotia Capital (USA) Inc. or one of our affiliates will purchase the Notes at the Principal Amount and, as part of the distribution of the Notes, will sell the Notes to Goldman, Sachs & Co. at a discount and underwriting commissions of \$2.50 per \$1,000 Principal Amount of Notes in connection with the distribution of the Notes. In accordance with the terms of a distributor accession letter, Goldman, Sachs & Co. has been appointed as a distribution agent under the distribution agreement and may purchase Notes from The Bank of Nova Scotia or its affiliates. Scotia Capital (USA) Inc. will also receive a structuring and development fee of up to \$0.50 per \$1,000 Principal Amount of Notes.

In addition, Scotia Capital (USA) Inc. or another of its affiliates or agents may use the product prospectus supplement to which this pricing supplement relates in market-making transactions after the initial sale of the Notes. While Scotia Capital (USA) Inc. may make markets in the Notes, it is under no obligation to do so and may discontinue any market-making activities at any time without notice. See the sections titled Supplemental Plan of Distribution in the accompanying prospectus supplement and product prospectus supplement.

The price at which you purchase the Notes includes costs that the Bank or its affiliates expect to incur and profits that the Bank or its affiliates expect to realize in connection with hedging activities related to the Notes, as set forth above. These costs and profits will likely reduce the secondary market price, if any secondary market develops, for the Notes. As a result, you may experience an immediate and substantial decline in the market value of your Notes on the Issue Date.

We expect that delivery of the Notes will be made against payment therefor on or about the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as T+5). Under Rule 15c6-1 of the Securities and Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the Trade Date will be required, by virtue of the fact that each Note initially will settle in five business days (T+5), to specify alternative settlement arrangements to prevent a failed settlement.

#### **Conflicts of Interest**

Each of Scotia Capital (USA) Inc. and Scotia Capital Inc. is an affiliate of the Bank and, as such, has a conflict of interest in this offering within the meaning of FINRA Rule 5121. In addition, the Bank will receive the gross proceeds from the initial public offering of the Notes, thus creating an additional conflict of interest within the meaning of Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. Neither Scotia Capital (USA) Inc. nor Scotia Capital Inc. is permitted to sell Notes in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

Scotia Capital (USA) Inc., Goldman, Sachs & Co. and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Scotia Capital (USA) Inc., Goldman, Sachs & Co. and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Bank, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, Scotia Capital (USA) Inc., Goldman, Sachs & Co. and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Bank. Scotia Capital (USA) Inc., Goldman, Sachs & Co. and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### **CERTAIN CANADIAN INCOME TAX CONSEQUENCES**

See Certain Income Tax Consequences Certain Canadian Income Tax Considerations at page S-20 of the Prospectus Supplement dated February 29, 2012.

#### **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The U.S. federal income tax consequences of your investment in the Notes are uncertain. No statutory, judicial or administrative authority directly discusses how the Notes should be treated for U.S. federal income tax purposes. We intend to treat the Notes as pre-paid cash-settled derivative contracts. Pursuant to the terms of the Notes, you agree to treat the Notes in this manner for all U.S. federal income tax purposes. If your Notes are so treated, you should generally recognize short-term capital gain or loss upon the sale, exchange or payment on maturity in an amount equal to the difference between the amount you receive at such time and the amount that you paid for your Notes.

For a more detailed discussion of the United States federal income tax consequences with respect to your Notes, you should carefully consider the discussion set forth in Supplemental Discussion of U.S. Federal Income Tax Consequences in the

accompanying product prospectus supplement and the discussion set forth in **Certain United States Income Tax Considerations** of the accompanying prospectus supplement. In particular, U.S. holders (as defined in the prospectus supplement) should review the discussion set forth in **Supplemental Discussion of U.S. Federal Income Tax Consequences** **Supplemental U.S. Tax Considerations U.S. Holders** in the product prospectus supplement and **Non-U.S. Holders** (as defined in the prospectus supplement) should review the discussion set forth in **Supplemental Discussion of U.S. Federal Income Tax Consequences** **Supplemental U.S. Tax Considerations Non-U.S. Holders** in the product prospectus supplement. U.S. holders should also review the discussion under **Medicare Tax** , **Treasury Regulations Requiring Disclosure of Reportable Transactions** , **Information With Respect to Foreign Financial Assets** and **Information Reporting and Backup Withholding** under **Certain Income Tax Consequences** **Certain United States Income Tax Considerations** in the prospectus supplement.

We will not attempt to ascertain whether the issuer of any of the constituent stocks in the Reference Asset would be treated as a **passive foreign investment company** within the meaning of Section 1297 of the Internal Revenue Code of 1986, as amended (the **Code** ) or a **United States real property holding corporation** within the meaning of Section 897 of the Code. If the issuer of one or more of such stocks were so treated, certain adverse U.S. federal income tax consequences could possibly apply. You should refer to any available information filed with the SEC by the issuers of the constituent stocks in the Reference Asset and consult your tax advisor regarding the possible consequences to you in this regard.

Because other characterizations and treatments are possible the timing and character of income in respect of the Notes might differ from the treatment described above. You should carefully review the discussion set forth in **Alternative Treatments** in the product prospectus supplement for the possible tax consequences of different characterizations or treatment of your Notes for U.S. federal income tax purposes. It is possible, for example, that the Internal Revenue Service ( **IRS** ) might treat the Notes as a series of derivative contracts, each of which matures on the next rebalancing date of the reference asset, in which case you would be treated as disposing of the Notes on each rebalancing date in return for a new derivative contract that matures on the next rebalancing date, and you would recognize capital gain or loss on each rebalancing date.

The IRS has also issued a notice that may affect the taxation of the Notes. According to the notice, the IRS and the Treasury Department are actively considering whether the holder of an instrument such as the Notes should be required to accrue ordinary income on a current basis, and they are seeking comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Notes will ultimately be required to accrue ordinary income currently and this could be applied on a retroactive basis. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations. We intend to treat the Notes for U.S. federal income tax purposes in accordance with the treatment described above unless and until such time as the Treasury Department and the IRS determine that some other treatment is more appropriate.

**PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT THEIR TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING AND DISPOSING OF NOTES AND RECEIVING PAYMENTS UNDER THE NOTES.**