



First Quarter Report
2022

For the three months ended June 30, 2021

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CORPORATE OVERVIEW

The Saskatchewan Gaming Corporation (SaskGaming or the Corporation) was established in 1994 as a Treasury Board Crown Corporation to operate casino gaming on behalf of the province of Saskatchewan. It currently operates Casino Regina and Casino Moose Jaw. Effective April 1, 2008, SaskGaming came under the direction of the Crown Investments Corporation of Saskatchewan (CIC). SaskGaming operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority (SLGA).

Casino Regina, located in Regina's historic Union Station, opened to the public on January 26, 1996 and is a full-service entertainment facility offering slot machines, table games, a Show Lounge, restaurant, and on-site parking.

Casino Moose Jaw opened September 6, 2002. It offers guests table games, slot machines, food and beverage services and parking facilities.

Casinos Regina and Moose Jaw were closed during the period of April 1, 2021 to June 19, 2021 and as a result limited revenues from gaming were earned during the quarter.

SaskGaming's vision is as follows:

We are the number one entertainment choice in our markets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis highlights the primary factors that impacted the operations and financial results of SaskGaming for the three month period ended June 30, 2021. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended March 31, 2021.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the period April 1, 2021 to June 30, 2021 with comparative information for 2020.

(Thousands of Dollars)	Three months ended June 30			
	2021	2020	Change	%
Revenue	\$ 2,117	\$ 50	\$ 2,067	4134.0%
Expenses	8,368	9,364	(996)	-10.6%
(Loss) income before payment to General Revenue Fund	(6,251)	(9,314)	3,063	-32.9%
Payment to GRF	-	-	-	-
Net (Loss) Income	\$ (6,251)	\$ (9,314)	\$ 3,063	-32.9%

In response to the COVID-19 pandemic the World Health Organization declared a global pandemic on March 11, 2020. On the advice of the Saskatchewan Health Authority and the Chief Medical Officer, SaskGaming temporarily closed Casinos Regina and Moose Jaw at the end of gaming day on March 16, 2020. Casinos Regina and Moose Jaw re-opened on July 9, 2020 at a reduced capacity following guidelines provided by the Provincial Government and operated until public health advice again required the casino closures as of December 19, 2020. The casinos remained closed through the remainder of the fiscal year, re-opening with capacity restrictions on June 20, 2021 in accordance with the Saskatchewan Re-Opening Roadmap. The remainder of restrictions were lifted on July 11, 2021.

The casino closures during the first quarter resulted in SaskGaming's year to date loss of \$6.3 million. When the casinos re-opened on June 20, 2021, slot machines and electronic table games were available to guests for play and there was limited food & beverage service available. This resulted in revenue of \$2.1 million for the first quarter of 2022, compared to limited revenue of \$50 thousand in the first quarter of 2021 when the casinos remained closed for the full quarter.

Expenses also decreased from the same period in fiscal 2021 by \$1.0 million to \$8.4 million. Reductions in expenses from the prior year occurred across most expense categories due to continued spending restraint while the casinos remained closed. The decreases were primarily driven by decreased salaries, wages and benefits, as a result of the temporary layoffs while the casinos were closed. Throughout the month of June staff were brought back to the workplace in phases in preparation for the re-opening of Casinos Regina and Moose Jaw on June 20, 2021.

While the casinos were closed, SaskGaming continued to move forward with several capital projects in order to support the local economy, while continuing the effort to modernize the gaming floor and improve guest experience. These projects included casino floor renovations, technology upgrades and other improvements to ensure guest and employee safety upon reopening of the casinos.

OUTLOOK

SaskGaming's loss for the three month period was \$6.3 million. At the end of the first quarter, SaskGaming estimates lost revenues to be approximately \$19.6 million. At this time, SaskGaming continues to assess the impacts of COVID-19 on its earnings forecast.

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at (Thousands of Dollars)	Note	June 30, 2021 (Unaudited)	March 31, 2021 (Audited)
ASSETS			
Current assets:			
Cash		\$ 8,123	\$ 4,711
Accounts receivable		81	45
Inventory		58	56
Prepaid expenses		1,916	775
		<u>10,178</u>	<u>5,587</u>
Property, plant and equipment		<u>63,354</u>	<u>64,518</u>
		<u>\$ 73,532</u>	<u>\$ 70,105</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		\$ 8,356	\$ 10,256
Short-term debt		4,991	4,988
Current portion of lease liabilities		536	522
		<u>13,883</u>	<u>15,766</u>
Lease liabilities		<u>3,844</u>	<u>3,983</u>
		<u>17,727</u>	<u>19,749</u>
Equity advance	4	15,700	4,000
Retained earnings		<u>40,105</u>	<u>46,356</u>
		<u>55,805</u>	<u>50,356</u>
		<u>\$ 73,532</u>	<u>\$ 70,105</u>
Description of business	1		

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)
For the three months ended June 30
(Unaudited)

(Thousands of Dollars)	2021	2020
Revenue	\$ 2,117	\$ 50
Operating expenses	5,217	6,234
Depreciation	1,641	1,656
Taxes	640	589
Contractual obligations	754	754
Finance expense	116	131
	8,368	9,364
Income before payment to the General Revenue Fund	(6,251)	(9,314)
Payment to the General Revenue Fund	-	-
Net (loss)	(6,251)	(9,314)
Other comprehensive (loss)	-	-
Comprehensive (loss)	\$ (6,251)	\$ (9,314)

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended June 30
(Unaudited)

(Thousands of Dollars)	2021			2020		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Retained earnings, beginning of period	\$ 46,356	4,000	\$ 50,356	\$ 59,784	-	\$ 59,784
Comprehensive (loss)	(6,251)	-	(6,251)	(9,314)	-	(9,314)
Equity advance	-	11,700	11,700	-	4,000	4,000
Retained earnings, end of period	\$ 40,105	\$ 15,700	\$ 55,805	\$ 50,470	\$ 4,000	\$ 54,470

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended June 30
(Unaudited)

(Thousands of Dollars)	<u>2021</u>	<u>2020</u>
Operating activities:		
Net (loss)	\$ (6,251)	\$ (9,314)
Adjustments for:		
Finance expense	116	131
Depreciation	1,641	1,656
Changes in non-cash working capital balances:		
Accounts receivable	(36)	93
Inventory	(2)	28
Prepaid expenses	(1,141)	(505)
Trade and other payables	(1,900)	(3,780)
Payable to the General Revenue Fund	-	(2,498)
	<u>(7,573)</u>	<u>(14,189)</u>
Investing activities:		
Purchases of property, plant and equipment	<u>(477)</u>	<u>(787)</u>
Financing activities:		
Equity advance	11,700	4,000
Interest paid	(113)	(146)
Repayment of lease liabilities	<u>(125)</u>	<u>(113)</u>
	<u>11,462</u>	<u>3,741</u>
Change in cash	3,412	(11,235)
Cash, beginning of period	<u>4,711</u>	<u>20,069</u>
Cash, end of period	<u>\$ 8,123</u>	<u>\$ 8,834</u>

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30
(Unaudited)

1. Description of Business

The Saskatchewan Gaming Corporation (SaskGaming) is a corporation domiciled in Canada. The address of SaskGaming's registered office and principal place of business is 1880 Saskatchewan Drive, Regina, SK, S4P 0B2.

SaskGaming manages and operates Casino Regina and Casino Moose Jaw. SaskGaming was established under The Saskatchewan Gaming Corporation Act to establish and operate casinos in Saskatchewan; conduct and manage games of chance in casinos; and to establish and operate or to provide for the establishment and operation of any business or activity that it considers reasonably related to operating a casino. SaskGaming must operate in accordance with statutory provisions established under Section 207 of the Criminal Code of Canada and The Alcohol and Gaming Regulation Act, 1997. Regulation of SaskGaming's operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority. SaskGaming is an agent of Her Majesty in Right of the Province of Saskatchewan, and, as a provincial Crown corporation, is not subject to provincial or federal income taxes. As well, SaskGaming is not subject to provincial capital taxes.

SaskGaming operates under the direction of its owner, Crown Investments Corporation of Saskatchewan (CIC). CIC is the Government of Saskatchewan's holding corporation for its commercial Crown corporations. The financial results of SaskGaming are included in the consolidated financial statements of CIC.

On March 11, 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a global pandemic. The pandemic resulted in governments worldwide enacting emergency measures to combat the spread of the virus. On the advice of Saskatchewan Health Authority and the Chief Medical Officer, SaskGaming suspended operations at the close of gaming day on March 16, 2020. Under the Re-open Saskatchewan Plan, Casinos Regina and Moose Jaw re-opened on July 9, 2020 and operated following the public health guidelines and restrictions until December 19, 2020, when public health advice again required the closure of the casinos.

The casinos remained closed until June 20, 2021, when they were permitted to re-open under Step Two of the Saskatchewan Re-Opening Roadmap, with a 150 person maximum capacity. The closures have had a significant impact on both revenues and cash flows from operations. SaskGaming has access to financial support from CIC in the form of equity advances to support operations, as well as available financing through the GRF of up to 56.2 million. As of July 11, 2021 all restrictions have been lifted, including capacity restrictions and social distancing requirements within the casinos.

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30
(Unaudited)

2. Basis of Preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the March 31, 2021 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 25, 2021.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value.

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is SaskGaming's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include: useful lives of property, plant and equipment and the customer loyalty program.

3. Significant Accounting Policies

The accounting policies applied by SaskGaming in these condensed consolidated interim financial statements are consistent with those applied by SaskGaming in its March 31, 2021 financial statements.

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended June 30
(Unaudited)

4. Equity Advance

SaskGaming does not have share capital. However, SaskGaming has received equity advances from CIC to form its equity capitalization. The advances reflect an equity investment in SaskGaming by CIC. SaskGaming has received \$15,700,000 (2020 - \$4,000,000) in equity advances from CIC.

5. Fair Value

Fair values approximate amounts at which financial instruments could be exchanged in an orderly transaction between market participants based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in Level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

The fair value of the short-term debt is considered to approximate its carrying value due to its short-term nature.

The following table presents the carrying amount and fair value of SaskGaming's financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

(Thousands of Dollars)		Fair Value Hierarchy	June 30, 2021 (Unaudited)		March 31, 2021 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification ¹					
Cash	FVTPL	Level One	\$ 8,123	\$ 8,123	\$ 4,711	\$ 4,711
Accounts receivable	AC	Level Two	81	81	45	45
Trade and other payables	AC	Level Two	8,356	8,356	10,256	10,256
Short-term debt	AC	Level Two	4,991	4,991	4,988	4,988

¹ Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost