



Third Quarter Report
2023

For the nine months ended December 31, 2022

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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.

SaskGaming also acts as the Conduct and Management agency for online gaming in the province and as such revenue and related expenses from online gaming are included in these financial statements.

In the comparative period, 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 first 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 nine month period ended December 31, 2022. 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, 2022.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the period October 1, 2022 to December 31, 2022 and April 1, 2022 to December 31, 2022 with comparative information for 2021.

| (Thousands of Dollars) | Three months ended December 31 | | | | Nine months ended December 31 | | | |
|--|--------------------------------|-----------|----------|--------|-------------------------------|-----------|-----------|--------|
| | 2022 | 2021 | Change | % | 2022 | 2021 | Change | % |
| Revenue | \$ 29,183 | \$ 22,574 | \$ 6,609 | 29.3% | \$ 86,994 | \$ 53,256 | \$ 33,738 | 63.4% |
| Expenses | 18,585 | 16,796 | 1,789 | 10.7% | 54,660 | 41,282 | 13,378 | 32.4% |
| Income before payment to General Revenue Fund | 10,598 | 5,778 | 4,820 | 83.4% | 32,334 | 11,974 | 20,360 | 170.0% |
| Payment to GRF | 5,821 | 2,889 | 2,932 | 101.5% | 16,689 | 5,987 | 10,702 | 178.8% |
| Net income | \$ 4,777 | \$ 2,889 | \$ 1,888 | 65.4% | \$ 15,645 | \$ 5,987 | \$ 9,658 | 161.3% |

SaskGaming's year to date income before payment to the GRF for the third quarter of fiscal 2023 was \$32.3 million, an increase of \$20.4 million from the same period in the prior year. The increase was primarily due to the temporary casino closures during most of the first quarter of the prior year.

Revenue is primarily driven by slot machine play and electronic and live table games. Revenue for the third quarter was \$29.2 million, an increase of \$6.6 million from the same period in fiscal 2022. Year to date revenue was \$87.0 million, an increase of \$33.7 million over the same period in the prior year. The increase over the prior year is largely due to the temporary closure of the casinos due to public health measures for most of the first quarter in fiscal 2022.

Expenses for the third quarter also increased from the same period in fiscal 2022 by \$1.8 million to \$18.6 million. Year to date expenses were \$54.7 million, an increase of \$13.4 million over the same period in the prior year. Increases in expenses from the prior year occurred across most expense categories due primarily the temporary casino closures for most of the first quarter in fiscal 2022. The expenses with the largest increases included salaries, wages & benefits, advertising & promotions, entertainment, food & beverage cost of goods sold, lease & rental, and cleaning services & supplies.

During the year a contract was signed by SaskGaming, Saskatchewan Indian Gaming Authority (SIGA) and British Columbia Lottery Corporation (BCLC), for BCLC to provide an online gaming platform in Saskatchewan. Under this agreement SIGA acts as the operator, SaskGaming acts as the Conduct and Management agency and BCLC is the vendor for online gaming. The online gaming platform successfully launched on November 3, 2022, with early results for the first months of operations showing growing use of the platform. Revenue and related expenses from online gaming are included in these consolidated financial statements.

SaskGaming's capital investment for fiscal 2023 continues to focus on property and technology modernization. Several recurring capital projects are in progress, including slot machine replacement, computer and network refresh and security camera replacement. Renovations to modernize the Casino Regina property continue and are expected to conclude by the end of the year.

OUTLOOK

SaskGaming's income before payment to the GRF for the three month period was \$10.6 million and \$32.3 million year to date.

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| As at (Thousands of Dollars) | Note | December 31, 2022 (Unaudited) | March 31, 2022 (Audited) |
|--------------------------------------|------|-------------------------------------|--------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | | \$ 24,550 | \$ 22,299 |
| Accounts receivable | | 116 | 90 |
| Inventory | | 101 | 120 |
| Prepaid expenses | | 808 | 857 |
| | | <u>25,575</u> | <u>23,366</u> |
| Property, plant and equipment | | <u>68,203</u> | <u>68,565</u> |
| | | <u>\$ 93,778</u> | <u>\$ 91,931</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities: | | | |
| Trade and other payables | | \$ 11,897 | \$ 12,780 |
| Payable to the General Revenue Fund | | 5,821 | 3,563 |
| Dividend payable | | 6,425 | - |
| Current portion of lease liabilities | | 625 | 579 |
| | | <u>24,768</u> | <u>16,922</u> |
| Lease liabilities | | <u>2,930</u> | <u>3,404</u> |
| | | <u>27,698</u> | <u>20,326</u> |
| Equity advance | 4 | 7,700 | 15,700 |
| Retained earnings | | <u>58,380</u> | <u>55,905</u> |
| | | <u>66,080</u> | <u>71,605</u> |
| | | <u>\$ 93,778</u> | <u>\$ 91,931</u> |
| Description of business | 1 | | |

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three and nine months ended December 31
(Unaudited)

| (Thousands of Dollars) | Three months ended December 31 | | Nine months ended December 31 | |
|---|-----------------------------------|-----------|----------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | \$ 29,183 | \$ 22,574 | \$ 86,994 | \$ 53,256 |
| Operating expenses | 14,791 | 13,303 | 43,280 | 31,148 |
| Depreciation | 2,138 | 1,925 | 6,381 | 5,495 |
| Contractual obligations | 753 | 753 | 2,261 | 2,261 |
| Taxes | 811 | 705 | 2,450 | 2,039 |
| Finance expense | 92 | 110 | 288 | 339 |
| | 18,585 | 16,796 | 54,660 | 41,282 |
| Income before payment to the General Revenue Fund | 10,598 | 5,778 | 32,334 | 11,974 |
| Payment to the General Revenue Fund | 5,821 | 2,889 | 16,689 | 5,987 |
| Net income | 4,777 | 2,889 | 15,645 | 5,987 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income | \$ 4,777 | \$ 2,889 | \$ 15,645 | \$ 5,987 |

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended December 31
(Unaudited)

| (Thousands of Dollars) | 2022 | | | 2021 | | |
|--|-------------------|----------------|-----------|-------------------|----------------|-----------|
| | Retained Earnings | Equity Advance | Total | Retained Earnings | Equity Advance | Total |
| Retained earnings, beginning of period | \$ 55,905 | 15,700 | \$ 71,605 | \$ 46,356 | 4,000 | \$ 50,356 |
| Comprehensive income (loss) | 15,645 | - | 15,645 | 5,987 | - | 5,987 |
| Dividends | (13,170) | - | (13,170) | - | - | - |
| Equity advance | - | - | - | - | 11,700 | 11,700 |
| Repayment of equity advance | - | (8,000) | (8,000) | - | - | - |
| Retained earnings, end of period | \$ 58,380 | \$ 7,700 | \$ 66,080 | \$ 52,343 | \$ 15,700 | \$ 68,043 |

(See accompanying notes)

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended December 31
(Unaudited)

| (Thousands of Dollars) | 2022 | 2021 |
|---|-------------|-------------|
| Operating activities: | | |
| Net income | \$ 15,645 | \$ 5,987 |
| Adjustments for: | | |
| Finance expense | 288 | 339 |
| Depreciation | 6,363 | 5,432 |
| Loss on sale of property, plant and equipment | 18 | 63 |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | (26) | (9) |
| Inventory | 19 | (59) |
| Prepaid expenses | 49 | (4) |
| Trade and other payables | (883) | (138) |
| Payable to the General Revenue Fund | 2,258 | 2,889 |
| | 23,731 | 14,500 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (6,019) | (4,959) |
| Financing activities: | | |
| Dividends paid | (6,745) | - |
| Repayment of equity advance | (8,000) | - |
| Equity advance | - | 11,700 |
| Interest paid | (288) | (330) |
| Repayment of lease liabilities | (428) | (386) |
| | (15,461) | 10,984 |
| Change in cash | 2,251 | 20,525 |
| Cash, beginning of period | 22,299 | 4,711 |
| Cash, end of period | \$ 24,550 | \$ 25,236 |

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31
(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 online; 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.

In the comparative period, Casinos Regina and Moose Jaw were closed for most of the first quarter due to the global pandemic, as required by public health advice. The casinos remained closed until June 20, 2021, when they were permitted to re-open in accordance with direction from the Chief Medical Health Officer, with a 150 person maximum capacity. On July 11, 2021 all restrictions were lifted, including capacity restrictions and social distancing requirements within the casinos. On September 17, 2021 a mandatory masking mandate was reinstated and effective October 1, 2021 all guests were required to be fully vaccinated or show a recent negative COVID-19 test. These remaining measures were lifted by the end of February 2022 and the casinos began operating with no restrictions.

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31
(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, 2022 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 16, 2023.

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, 2022 financial statements.

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31
(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 equity advances of \$7,700,000 (March 31, 2022 - \$15,700,000) 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 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 | December 31, 2022 (Unaudited) | | March 31, 2022 (Audited) | |
|--------------------------|-----------------------------|----------------------|----------------------------------|------------|-----------------------------|------------|
| | | | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Instruments | Classification ¹ | | | | | |
| Cash | FVTPL | Level One | \$ 24,550 | \$ 24,550 | \$ 22,299 | \$ 22,299 |
| Accounts receivable | AC | Level Two | 116 | 116 | 90 | 90 |
| Trade and other payables | AC | Level Two | 11,897 | 11,897 | 12,780 | 12,780 |
| Payable to the GRF | AC | Level Two | 5,821 | 5,821 | 3,563 | 3,563 |
| Dividend payable | AC | Level Two | 6,425 | 6,425 | - | - |

¹ Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost