



Second Quarter Report
2022

For the six months ended September 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 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 six month period ended September 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 July 1, 2021 to September 30, 2021 and April 1, 2021 to September 30, 2021 with comparative information for 2020.

(Thousands of Dollars)	Three months ended September 30				Six months ended September 30			
	2021	2020	Change	%	2021	2020	Change	%
Revenue	\$ 28,565	\$ 18,658	\$ 9,907	53.1%	\$ 30,682	\$ 18,708	\$ 11,974	64.0%
Expenses	16,118	13,574	2,544	18.7%	24,486	22,938	1,548	6.7%
Income (loss) before payment to General Revenue Fund	12,447	5,084	7,363	144.8%	6,196	(4,230)	10,426	-246.5%
Payment to GRF	6,224	-	6,224	100.0%	3,098	-	3,098	100.0%
Net income (loss)	\$ 6,223	\$ 5,084	\$ 1,139	22.4%	\$ 3,098	\$ (4,230)	\$ 7,328	-173.2%

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 and most of the first quarter of fiscal 2022, re-opening with capacity restrictions on June 20, 2021 in accordance with the Saskatchewan Re-Opening Roadmap. The casino closures during the first quarter resulted in a year to date loss of \$6.3 million at June 30, 2021.

On July 11, 2021, the Province of Saskatchewan lifted the public health orders related to COVID-19, ending the state of emergency for the province, allowing Casinos Regina and Moose Jaw to open without capacity restrictions. On July 13, 2021 the Union Station restaurant opened in Regina and poker resumed at both properties. Staff on temporary layoff were called back in a staged fashion with all staff returned to work by July 11, 2021. This contributed to strong operational results and a positive year to date net income before payment to the GRF of \$6.2 million at the end of the second quarter and represented an improvement of \$12.5 million from the net loss position in the first quarter.

Revenue for the second quarter was \$28.6 million, an increase of \$9.9 million from the same period in fiscal 2021. Year to date revenue was \$30.7 million, which is an increase of \$12.0 million from the prior year. The increase over the prior year is largely due to restrictions on capacity and social distancing measures in place throughout the quarter in the prior fiscal year. Revenue in the second quarter was primarily driven by slot revenue and electronic table games revenue.

Expenses for the second quarter also increased from the same period in fiscal 2021 by \$2.5 million to \$16.1 million. Year to date expenses were \$24.5 million, an increase year over year of \$1.5 million. Increases in expenses from the prior year occurred across several expense categories due largely to restrictions in place after reopening the casinos in the prior year, compared to no restrictions or public health measures for most of the current quarter. The expenses with the largest increases included salaries, wages and benefits, food & beverage cost of goods sold, and lease and rental.

The casinos operated without restrictions until September 17, 2021, when public health orders required masks to be worn at all indoor public spaces. Effective October 1, 2021, guests are also required to be fully vaccinated or show a recent negative COVID-19 test. Government of Saskatchewan and Crown Corporation employees, which include employees of SaskGaming, are also required to be fully vaccinated or show a negative COVID-19 test on a consistent basis. SaskGaming anticipates that these measures will have an impact on revenue.

During the second quarter, 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, as well as technology upgrades.

OUTLOOK

SaskGaming's income before payment to the GRF for the three month period was \$12.5 million, which combined with the loss of \$6.3 million at the end of the first quarter, resulted in a year to date income before payment to the GRF of \$6.2 million at the end of the second quarter. 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)	<u>Note</u>	<u>September 30, 2021</u> (Unaudited)	<u>March 31, 2021</u> (Audited)
ASSETS			
Current assets:			
Cash		\$ 23,225	\$ 4,711
Accounts receivable		83	45
Inventory		99	56
Prepaid expenses		<u>1,579</u>	<u>775</u>
		24,986	5,587
Property, plant and equipment		<u>63,794</u>	<u>64,518</u>
		<u>\$ 88,780</u>	<u>\$ 70,105</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		\$ 11,283	\$ 10,256
Short-term debt		4,994	4,988
Payable to the General Revenue Fund		3,098	-
Current portion of lease liabilities		<u>550</u>	<u>522</u>
		19,925	15,766
Lease liabilities		<u>3,701</u>	<u>3,983</u>
		<u>23,626</u>	<u>19,749</u>
Equity advance	4	15,700	4,000
Retained earnings		<u>49,454</u>	<u>46,356</u>
		<u>65,154</u>	<u>50,356</u>
		<u>\$ 88,780</u>	<u>\$ 70,105</u>
Description of business	1		

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the three and six months ended September 30
(Unaudited)

(Thousands of Dollars)	Three months ended September 30		Six months ended September 30	
	2021	2020	2021	2020
Revenue	\$ 28,565	\$ 18,658	\$ 30,682	\$ 18,708
Operating expenses	12,628	10,363	17,845	16,597
Depreciation	1,929	1,699	3,570	3,355
Contractual obligations	754	754	1,508	1,508
Taxes	694	631	1,334	1,220
Finance expense	113	127	229	258
	16,118	13,574	24,486	22,938
Income (loss) before payment to the General Revenue Fund	12,447	5,084	6,196	(4,230)
Payment to the General Revenue Fund	6,224	-	3,098	-
Net income (loss)	6,223	5,084	3,098	(4,230)
Other comprehensive income (loss)	-	-	-	-
Comprehensive income (loss)	\$ 6,223	\$ 5,084	\$ 3,098	\$ (4,230)

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended September 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) income	3,098	-	3,098	(4,230)	-	(4,230)
Equity advance	-	11,700	11,700	-	4,000	4,000
Retained earnings, end of period	\$ 49,454	\$ 15,700	\$ 65,154	\$ 55,554	\$ 4,000	\$ 59,554

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

(Thousands of Dollars)	2021	2020
Operating activities:		
Net (loss) income	\$ 3,098	\$ (4,230)
Adjustments for:		
Finance expense	229	258
Depreciation	3,507	3,355
Loss on sale of property, plant and equipment	63	-
Changes in non-cash working capital balances:		
Accounts receivable	(38)	148
Inventory	(43)	65
Prepaid expenses	(804)	(538)
Trade and other payables	1,027	(3,312)
Payable to the General Revenue Fund	3,098	(2,498)
	10,137	(6,752)
Investing activities:		
Purchases of property, plant and equipment	(2,846)	(1,685)
Financing activities:		
Equity advance	11,700	4,000
Dividends paid	-	-
Interest paid	(223)	(268)
Repayment of lease liabilities	(254)	(229)
	11,223	3,503
Change in cash	18,514	(4,934)
Cash, beginning of period	4,711	20,069
Cash, end of period	\$ 23,225	\$ 15,135

(See accompanying notes)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended September 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. 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 must be fully vaccinated or show a recent negative COVID-19 test. Government of Saskatchewan and Crown Corporation employees, which includes employees of SaskGaming, are also required to be fully vaccinated or show a negative COVID-19 test on a consistent basis.

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended September 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 November 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 six months ended September 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	September 30, 2021 (Unaudited)		March 31, 2021 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification ¹					
Cash	FVTPL	Level One	\$ 23,225	\$ 23,225	\$ 4,711	\$ 4,711
Accounts receivable	AC	Level Two	83	83	45	45
Trade and other payables	AC	Level Two	11,283	11,283	10,256	10,256
Short-term debt	AC	Level Two	4,994	4,994	4,988	4,988

¹ Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost