



Third Quarter Report
2022

For the nine months ended December 31, 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 nine month period ended December 31, 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 October 1, 2021 to December 31, 2021 and April 1, 2021 to December 31, 2021 with comparative information for 2020.

(Thousands of Dollars)	Three months ended December 31				Nine months ended December 31			
	2021	2020	Change	%	2021	2020	Change	%
Revenue	\$ 22,574	\$ 12,145	\$ 10,429	85.9%	\$ 53,256	\$ 30,853	\$ 22,403	72.6%
Expenses	16,796	13,769	3,027	22.0%	41,282	36,707	4,575	12.5%
Income (loss) before payment to General Revenue Fund	5,778	(1,624)	7,402	455.8%	11,974	(5,854)	17,828	304.5%
Payment to GRF	2,889	-	2,889	100.0%	5,987	-	5,987	100.0%
Net income (loss)	\$ 2,889	\$ (1,624)	\$ 4,513	277.9%	\$ 5,987	\$ (5,854)	\$ 11,841	202.3%

As a result of the continuing COVID-19 pandemic, the casinos remained closed through 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.

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 were 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. In the third quarter, while these restrictions led to a significant decrease in guest count, the results of the quarter were stronger than anticipated, with increased spend per guest partially offsetting the impact of reduced guest count.

Revenue is primarily driven by slot machine play and electronic and live table games. Revenue for the third quarter was \$22.6 million, an increase of \$10.4 million from the same period in fiscal 2021. Year to date revenue was \$53.3 million, which is an increase of \$22.4 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, as well as closure of the casinos on December 19, 2020.

Expenses for the third quarter also increased from the same period in fiscal 2021 by \$3.0 million to \$16.8 million. Year to date expenses were \$41.3 million, an increase year over year of \$4.6 million. Increases in expenses from the prior year occurred across several expense categories due largely to the capacity and social distancing restrictions in place after reopening the casinos in the prior year. The expenses with the largest increases included salaries, wages and benefits, lease & rental, and cleaning services & supplies.

During the third quarter, capital projects continued to move forward with focus on the renovations to modernize the Casino Regina property. Renovations around the west gaming floor were completed in November, with the new Crossroads food outlet, poker room and GameSense Information Centre re-opening to guests.

OUTLOOK

SaskGaming's income before payment to the GRF for the three month period was \$5.8 million, and \$12.0 million year to date. 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>December 31, 2021 (Unaudited)</u>	<u>March 31, 2021 (Audited)</u>
ASSETS			
Current assets:			
Cash		\$ 25,236	\$ 4,711
Accounts receivable		54	45
Inventory		115	56
Prepaid expenses		<u>779</u>	<u>775</u>
		26,184	5,587
Property, plant and equipment		<u>63,982</u>	<u>64,518</u>
		<u>\$ 90,166</u>	<u>\$ 70,105</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		\$ 10,118	\$ 10,256
Short-term debt		4,997	4,988
Payable to the General Revenue Fund		2,889	-
Current portion of lease liabilities		<u>564</u>	<u>522</u>
		18,568	15,766
Lease liabilities		<u>3,555</u>	<u>3,983</u>
		<u>22,123</u>	<u>19,749</u>
Equity advance	4	15,700	4,000
Retained earnings		<u>52,343</u>	<u>46,356</u>
		<u>68,043</u>	<u>50,356</u>
		<u>\$ 90,166</u>	<u>\$ 70,105</u>
Description of business	1		

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

(Thousands of Dollars)	Three months ended December 31		Nine months ended December 31	
	2021	2020	2021	2020
Revenue	\$ 22,574	\$ 12,145	\$ 53,256	\$ 30,853
Operating expenses	13,303	10,565	31,148	27,162
Depreciation	1,925	1,699	5,495	5,054
Contractual obligations	753	753	2,261	2,261
Taxes	705	627	2,039	1,847
Finance expense	110	125	339	383
	16,796	13,769	41,282	36,707
Income (loss) before payment to the General Revenue Fund	5,778	(1,624)	11,974	(5,854)
Payment to the General Revenue Fund	2,889	-	5,987	-
Net income (loss)	2,889	(1,624)	5,987	(5,854)
Other comprehensive income (loss)	-	-	-	-
Comprehensive income (loss)	\$ 2,889	\$ (1,624)	\$ 5,987	\$ (5,854)

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended December 31
(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 income (loss)	5,987	-	5,987	(5,854)	-	(5,854)
Equity advance	-	11,700	11,700	-	4,000	4,000
Retained earnings, end of period	\$ 52,343	\$ 15,700	\$ 68,043	\$ 53,930	\$ 4,000	\$ 57,930

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

(Thousands of Dollars)	2021	2020
Operating activities:		
Net income (loss)	\$ 5,987	\$ (5,854)
Adjustments for:		
Finance expense	339	383
Depreciation	5,432	5,054
Loss on sale of property, plant and equipment	63	-
Changes in non-cash working capital balances:		
Accounts receivable	(9)	87
Inventory	(59)	91
Prepaid expenses	(4)	10
Trade and other payables	(138)	(3,167)
Payable to the General Revenue Fund	2,889	(2,498)
	14,500	(5,894)
Investing activities:		
Purchases of property, plant and equipment	(4,959)	(3,367)
Financing activities:		
Equity advance	11,700	4,000
Interest paid	(330)	(388)
Repayment of lease liabilities	(386)	(349)
	10,984	3,263
Change in cash	20,525	(5,998)
Cash, beginning of period	4,711	20,069
Cash, end of period	\$ 25,236	\$ 14,071

(See accompanying notes)

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 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 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, 2021 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on February 10, 2022.

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 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 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	December 31, 2021 (Unaudited)		March 31, 2021 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification ¹					
Cash	FVTPL	Level One	\$ 25,236	\$ 25,236	\$ 4,711	\$ 4,711
Accounts receivable	AC	Level Two	54	54	45	45
Trade and other payables	AC	Level Two	10,118	10,118	10,256	10,256
Short-term debt	AC	Level Two	4,997	4,997	4,988	4,988
Payable to the GRF	AC	Level Two	2,889	2,889	-	-

¹ Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost