



First Quarter Report
2024

For the three months ended June 30, 2023

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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). Effective June 1, 2023, SaskGaming became a wholly owned business subsidiary of Lotteries and Gaming Saskatchewan (LGS), the new commercial Crown corporation responsible for the management of casinos, video lottery terminals, lotteries and online gaming in the province.

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'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, 2023. 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, 2023.

FINANCIAL RESULTS

The following information provides details of the Corporation's financial performance for the period April 1, 2023 to June 30, 2023 with comparative information for 2022.

(Thousands of Dollars)	Three months ended June 30			
	2023	2022	Change	%
Revenue	\$ 30,991	\$ 28,401	\$ 2,590	9.1%
Expenses	18,371	17,771	600	3.4%
Income before payments	12,620	10,630	1,990	18.7%
Payment to GRF	6,310	5,315	995	18.7%
Payment to LGS	360	-	360	100.0%
	6,670	5,315	1,355	25.5%
Net Income	\$ 5,950	\$ 5,315	\$ 635	11.9%

Effective June 1, 2023, SaskGaming became a wholly owned subsidiary of Lotteries and Gaming Saskatchewan (LGS), the new commercial Crown corporation responsible for the oversight of casinos, video lottery terminals, lotteries and online gaming in the province. SaskGaming was reconfigured as a business corporation and remains responsible for the operation of Casinos Regina and Moose Jaw, with no significant changes to overall operations. SaskGaming and LGS signed a Letter of Understanding (LOU) regarding SaskGaming's operation of the casinos. The LOU outlines the commission SaskGaming is to receive for operating the casinos, as well as the payments to LGS that will be required.

SaskGaming's income before payments for the first quarter was \$12.6 million, an increase of \$2.0 million from the same period in the prior year.

Revenue is primarily driven by slot machine play and electronic and live table games. Revenue for the first quarter was \$31.0 million, an increase of \$2.6 million from the same period in fiscal 2023. The increase in revenue was largely due to an increase in slot revenue of \$1.8 million. Slot revenue increased primarily due to an increase in guest count compared to the prior year.

Expenses for the first quarter also increased from the same period in fiscal 2023 by \$0.6 million to \$18.4 million. The increase in expenses was primarily due to higher depreciation because of recent capital expenditures, as well as increases in salaries, wages and benefits and professional fees.

SaskGaming was responsible for the conduct and management of online gaming until June 1, 2023, when the conduct and management role transitioned to LGS. For the two-month period ending May 31, 2023 net profit related to online gaming was \$165,000.

SaskGaming's capital investment for fiscal 2024 focuses on further investments in facilities and gaming modernization. During the first quarter, several capital projects began, including slot machine replacement and the renovations to modernize the Casino Moose Jaw property, which are expected to conclude by the end of the year.

OUTLOOK

SaskGaming's income before payments for the three-month period was \$12.6 million. At this time, SaskGaming believes it will achieve its income before payments target for fiscal 2024.

SASKATCHEWAN GAMING CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at (Thousands of Dollars)	<u>Note</u>	<u>June 30, 2023</u> (Unaudited)	<u>March 31, 2023</u> (Audited)
ASSETS			
Current assets:			
Cash		\$ 18,253	\$ 17,398
Accounts receivable		379	148
Receivable from Lotteries and Gaming Saskatchewan		27	-
Inventory		114	115
Prepaid expenses		<u>2,147</u>	<u>779</u>
		20,920	18,440
Property, plant and equipment		<u>69,191</u>	<u>70,351</u>
		<u>\$ 90,111</u>	<u>\$ 88,791</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables		\$ 10,683	\$ 13,073
Payable to the General Revenue Fund		6,341	4,595
Dividend payable		3,281	3,832
Current portion of lease liabilities		<u>659</u>	<u>641</u>
		20,964	22,141
Lease liabilities		<u>2,591</u>	<u>2,763</u>
		<u>23,555</u>	<u>24,904</u>
Equity advance	4	3,700	3,700
Retained earnings		<u>62,856</u>	<u>60,187</u>
		<u>66,556</u>	<u>63,887</u>
		<u>\$ 90,111</u>	<u>\$ 88,791</u>

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

(Thousands of Dollars)	2023	2022
Revenue	\$ 30,991	\$ 28,401
Operating expenses	14,438	13,963
Depreciation	2,296	2,109
Taxes	798	845
Contractual obligations	754	754
Finance expense	85	100
	<u>18,371</u>	<u>17,771</u>
Income before payments	<u>12,620</u>	<u>10,630</u>
Payment to the General Revenue Fund	6,310	5,315
Payment to Lotteries and Gaming Saskatchewan	360	-
	<u>6,670</u>	<u>5,315</u>
Net income	5,950	5,315
Other comprehensive income	-	-
Comprehensive income	<u>\$ 5,950</u>	<u>\$ 5,315</u>

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

(Thousands of Dollars)	2023			2022		
	Retained Earnings	Equity Advance	Total	Retained Earnings	Equity Advance	Total
Retained earnings, beginning of period	\$ 60,187	3,700	\$ 63,887	\$ 55,905	15,700	\$ 71,605
Comprehensive income	5,950	-	5,950	5,315	-	5,315
Dividends	(3,281)	-	(3,281)	(4,252)	-	(4,252)
Retained earnings, end of period	<u>\$ 62,856</u>	<u>\$ 3,700</u>	<u>\$ 66,556</u>	<u>\$ 56,968</u>	<u>\$ 15,700</u>	<u>\$ 72,668</u>

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

(Thousands of Dollars)	<u>2023</u>	<u>2022</u>
Operating activities:		
Net income	\$ 5,950	\$ 5,315
Adjustments for:		
Finance expense	85	100
Depreciation	2,260	2,109
Loss on sale of property, plant and equipment	36	-
Changes in non-cash working capital balances:		
Accounts receivable	(231)	37
Receivable from Lotteries and Gaming Saskatchewan	(27)	-
Inventory	1	(21)
Prepaid expenses	(1,368)	(1,111)
Trade and other payables	(2,390)	(2,666)
Payable to the General Revenue Fund	1,746	1,752
	<u>6,062</u>	<u>5,515</u>
Investing activities:		
Purchases of property, plant and equipment	<u>(1,136)</u>	<u>(1,436)</u>
Financing activities:		
Dividends paid	(3,832)	-
Interest paid	(85)	(100)
Repayment of lease liabilities	<u>(154)</u>	<u>(139)</u>
	<u>(4,071)</u>	<u>(239)</u>
Change in cash	855	3,840
Cash, beginning of period	<u>17,398</u>	<u>22,299</u>
Cash, end of period	<u>\$ 18,253</u>	<u>\$ 26,139</u>

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 was originally established and operated in accordance with 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 His 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.

Prior to June 1, 2023 SaskGaming operated 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. During the quarter the Government of Saskatchewan passed legislation creating Lotteries and Gaming Saskatchewan (LGS), a new commercial Crown corporation. LGS consolidates the management of oversight for casinos, video lottery terminals, lotteries, and online gaming. As a part of the new Crown corporation, SaskGaming was reconfigured as a wholly-owned business subsidiary of LGS effective June 1, 2023 and will continue to operate casinos Regina and Moose Jaw, with no significant changes to overall operations.

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, 2023 audited financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 21, 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, 2023 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. Equity advances outstanding as of June 30, 2023 were \$3,700 thousand (March 31, 2023 - \$3,700 thousand).

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	June 30, 2023 (Unaudited)		March 31, 2023 (Audited)	
			Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments	Classification ¹					
Cash	FVTPL	Level One	\$ 18,253	\$ 18,253	\$ 17,398	\$ 17,398
Accounts receivable	AC	Level Two	379	379	148	148
Receivable from LGS	AC	Level Two	27	27	-	-
Trade and other payables	AC	Level Two	10,683	10,683	13,073	13,073
Payable to the GRF	AC	Level Two	6,341	6,341	4,595	4,595
Dividend payable	AC	Level Two	3,281	3,281	3,832	3,832

¹ Classification:

FVTPL - Fair value through profit and loss

AC - Amortized cost