



Poydras Gaming Finance Corp.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2017 and 2016

(Unaudited)

(Expressed in US Dollars Unless Otherwise Stated)

Poydras Gaming Finance Corp.**Condensed Interim Consolidated Statements of Financial Position***(Unaudited)**(Expressed in US Dollars)*

ASSETS	March 31, 2017	December 31, 2016
Current		
Cash	\$ 2,601,950	\$ 3,371,341
Accounts receivable (Note 5)	2,061,464	1,980,929
Inventory	299,881	255,322
Prepaid expenses	142,642	85,696
Finance lease receivable (Note 8)	2,228,348	2,114,009
	7,334,285	7,807,297
Placement Fees (Note 6)	6,033,063	6,482,721
Property and Equipment (Note 7)	10,884,114	10,521,082
Finance Leases Receivable (Note 8)	5,341,142	6,572,193
Intangible Assets (Note 9)	4,923,504	5,156,889
Goodwill (Note 9)	4,009,887	4,009,887
	\$ 38,525,995	\$ 40,550,069
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 18 and 22)	\$ 3,638,847	\$ 3,368,684
Earn-out payable	-	240,000
Loans payable (Note 10)	3,099,536	3,357,810
Deferred revenue (Note 11)	268,656	268,656
Promissory notes payable (Note 12)	-	87,383
	7,007,039	7,322,533
Deferred Revenue (Note 11)	398,606	455,801
Earn-out Payable	240,000	240,000
Loans Payable (Note 10)	24,874,014	25,490,755
Promissory Notes Payable (Note 12)	263,483	224,435
	32,783,142	33,733,524
EQUITY		
Share Capital (Note 14)	27,978,707	27,978,707
Reserves (Note 14)	758,179	665,260
Accumulated Other Comprehensive Income	1,294,886	1,294,413
Deficit	(24,288,919)	(23,121,835)
Total Equity	5,742,853	6,816,545
	\$ 38,525,995	\$ 40,550,069

Nature of Operations (Note 1)

Approved on behalf of the Board of Directors:

_____, Director
"Peter Macy"_____, Director
"Daniel Davila"

- The accompanying notes are an integral part of these condensed interim consolidated financial statements –

Poydras Gaming Finance Corp.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the Three Months Ended March 31, 2017 and 2016

(Unaudited)

(Expressed in US Dollars)

	2017	2016
Revenue		
Leasing revenue <i>(Note 15)</i>	\$ 3,591,021	\$ 3,020,919
Bingo sales	566,353	669,504
	4,157,374	3,690,423
Income from equity-accounted investees <i>(Note 4)</i>	-	337,558
Bingo supplies	(354,373)	(429,389)
Operating expenses <i>(Note 23)</i>	(2,268,483)	(1,612,314)
General and administrative expenses <i>(Note 23)</i>	(1,490,607)	(1,520,701)
Amortization of intangible assets <i>(Note 9)</i>	(198,775)	(216,061)
Gain (loss) on disposal of assets	64,500	(38,947)
Income (loss) from operations	(90,364)	210,569
Financing costs <i>(Note 23)</i>	(1,140,346)	(748,145)
Foreign exchange gain (loss)	(8,466)	411,798
Gain on disposal of BitBoss IP license <i>(Note 9)</i>	43,712	-
Gain on settlement of loan <i>(Note 16)</i>	28,380	-
Revaluation of earn-out liability	-	599,000
Net income (loss) before tax	(1,167,084)	473,222
Deferred income tax recovery <i>(Note 24)</i>	-	(131,960)
Net income (loss) for the period	(1,167,084)	341,262
Other comprehensive income (loss):		
Items that may be reclassified to net income or loss		
Foreign currency translation differences	473	(437,016)
Comprehensive Loss for the Period	\$ (1,166,611)	\$ (95,754)
Loss per share - basic and diluted	\$ (0.03)	\$ 0.01
Weighted average number of common shares outstanding – basic and diluted <i>(Note 17)</i>	34,548,928	35,548,928

– The accompanying notes are an integral part of these condensed interim consolidated financial statements –

Poydras Gaming Finance Corp.
Condensed Interim Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)
(Expressed in US Dollars)

	2017	2016
Operations:		
Net loss for the period	\$ (1,167,084)	\$ 341,262
Items not affecting cash:		
Non-cash interest expense	166,830	192,791
Amortization and depreciation	2,038,981	1,547,341
Bad debt expense	(1,954)	(10,925)
Deferred income tax recovery	-	131,960
Deferred revenue	(57,195)	(67,164)
Foreign exchange (gain) loss	8,466	(411,798)
Income from equity-accounted investee	-	(337,558)
Loss (gain) on disposal of BitBoss IP license	(43,712)	-
Loss (gain) on disposal of equipment	(64,500)	38,947
Gain on settlement of debt	(28,380)	-
Revaluation of earn-out liability	-	(599,000)
Stock-based compensation on options and RSUs	92,919	104,720
	<u>944,371</u>	<u>930,576</u>
Change in non-cash working capital:		
Accounts receivable	(78,581)	492,224
Prepaid expenses	(56,946)	(98,832)
Inventory	(44,559)	(56,104)
Accounts payable and accrued liabilities	(787,899)	(101,557)
	<u>(23,614)</u>	<u>1,166,307</u>
Investing:		
Gaming equipment	38,595	(52,060)
Loans receivable	-	29,391
Finance lease receivable	467,486	448,599
Investment in A&W JV	-	232,294
Acquisition of BitBoss IP license	20,000	(50,000)
Earn-out payable	(240,000)	-
	<u>286,081</u>	<u>608,224</u>
Financing:		
Promissory notes payable	-	(141,484)
Payments on loans	(1,031,858)	(1,396,247)
Share issuance costs	-	(36,293)
	<u>(1,031,858)</u>	<u>(1,574,024)</u>
Net increase (decrease) in cash	(769,391)	200,507
Exchange impact on cash held in foreign currency	-	(25,218)
Cash - beginning of year	3,371,341	2,275,174
Cash - end of year	\$ 2,601,950	\$ 2,450,463

Non-Cash Investing and Financing Transactions (Note 19)

- The accompanying notes are an integral part of these condensed interim consolidated financial statements –

Poydras Gaming Finance Corp.
Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)
(Expressed in US Dollars)

	Share Capital (Note 14)		Reserves (Note 14)	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Shares*	Amount \$	\$	\$	\$	\$
Balance - January 1, 2016	34,548,928	27,978,707	44,881	1,875,567	(16,663,075)	13,236,080
Total comprehensive loss						
Net income for the period	-	-	-	-	341,262	341,262
Foreign currency translation	-	-	-	(437,016)	-	(437,016)
	-	-	-	(437,016)	341,262	(95,754)
Transactions with owners of the Company:						
Stock based compensation on options (Note 14 and 23)	-	-	56,467	-	-	56,467
Stock based compensation on RSUs (Note 14 and 23)	-	-	48,253	-	-	48,253
	-	-	104,720	-	-	104,720
Balance – March 31, 2016	34,548,928	27,978,707	149,601	1,438,551	(16,321,813)	13,245,046

*On May 2, 2016, the Company consolidated its issued and outstanding common shares, stock options, share purchase warrants and restricted share units on the basis of one new share for every ten existing shares. Unless otherwise indicated, all references to share capital, stock options, share purchase warrants and restricted share units presented in these consolidated financial statements and notes thereto are on a post-consolidation basis.

- The accompanying notes are an integral part of these condensed interim consolidated financial statements -

Poydras Gaming Finance Corp.

Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited)

(Expressed in US Dollars)

	Share Capital (Note 14)		Reserves	Accumulated Other		
	Shares*	Amount \$	(Note 14) \$	Comprehensive Income \$	Deficit \$	Total Equity \$
Balance - January 1, 2017	34,548,928	27,978,707	665,260	1,294,413	(23,121,835)	6,816,545
Total comprehensive loss						
Net income for the period	-	-	-	-	(1,167,084)	(1,167,084)
Foreign currency translation	-	-	-	473	-	473
	-	-	-	473	(1,167,084)	(1,166,611)
Transactions with owners of the Company:						
Stock based compensation on options (Note 14 and 23)	-	-	26,662	-	-	26,662
Stock based compensation on RSUs (Note 14 and 23)	-	-	66,257	-	-	66,257
	-	-	92,919	-	-	92,919
Balance – March 31, 2017	34,548,928	27,978,707	758,179	1,294,886	(24,288,919)	5,742,853

*On May 2, 2016, the Company consolidated its issued and outstanding common shares, stock options, share purchase warrants and restricted share units on the basis of one new share for every ten existing shares. Unless otherwise indicated, all references to share capital, stock options, share purchase warrants and restricted share units presented in these consolidated financial statements and notes thereto are on a post-consolidation basis.

- The accompanying notes are an integral part of these condensed interim consolidated financial statements –

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)

(Expressed in US Dollars unless otherwise stated)

1. Nature of Operations

Poydras Gaming Finance Corp. (the “**Company**” or “**Poydras**”) is a regional slot route operator, providing capital and gaming equipment to casino operators and vendors in the United States. The Company’s head office address is at Suite 1430-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The registered and records office address is at Suite 1500-1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7. The Company is listed on the TSX Venture Exchange (“**TSX.V**”) under the symbol “PYD” and on OTCQX over-the-counter market under the symbol “PYDGF”.

Poydras Gaming Finance Corp. (as a stand-alone entity “**PGFC**”) was incorporated under the Business Corporations Act (B.C.) on July 27, 2009 under the name Doca Capital Corp, changed its name to Great Northern Gold Exploration Corporation on October 10, 2012, and to Poydras Gaming Finance Corp. on May 2, 2014. On May 9, 2014, PGFC completed a reverse takeover (“**RTO**”) acquisition of Poydras Specialty Finance Corp. (“**PSFC**”) with its wholly-owned U.S. subsidiaries.

On July 20, 2015, the Company completed the acquisition of the Integrity Companies, which are engaged in leasing slot machines to Native American-owned casinos in Oklahoma and Texas and selling bingo supplies in Oklahoma, Arkansas and Kansas. The Integrity Companies are Aurora Gaming Inc. (“**Aurora Gaming**”), Integrity Gaming Inc. (“**Integrity Gaming**”) and Integrity Gaming of Kansas Inc. (“**Kansas**”), (together the “**Integrity Companies**”).

On August 11, 2016, the Company completed the acquisition of the remaining 50% interest in Aurora A&W Enterprises, LLC (“**A&W JV**”), which was engaged in leasing slot machines to Native American-owned casinos in Oklahoma. On August 12, 2016, A&W JV was merged with the Company’s wholly owned subsidiary Aurora Gaming.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations as they arise, including repayment terms of its new financing arrangement with MGG Investment Group as disclosed in Note 10(c). Management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The ability of the Company to operate as a going concern and realize its assets and discharge its liabilities in the normal course of operations is based on its ability to maintain positive working capital and maintain compliance on its debt covenants.

2. Basis of Presentation

a) Statement of Compliance

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“**IAS 34**”), using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”).

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent annual consolidated financial statements as at and for the year ended December 31, 2016. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with most recent annual consolidated financial statements as at and for the year ended December 31, 2016.

These financial statements were approved for issue by the board of directors effective May 22, 2017.

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)

(Expressed in US Dollars unless otherwise stated)

2. Basis of Presentation - Continued

b) Basis of Consolidation

These condensed interim consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out in Note 3, except for the convertible debentures conversion feature (*Note 13*) which was measured at fair value through profit and loss.

All figures presented in these condensed interim consolidated financial statements are in US dollars unless otherwise indicated.

These condensed interim consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

- (i) Canadian subsidiary PSFC from its date of incorporation on January 25, 2013;
- (ii) U.S. subsidiary Platform 9 Corporation from the date of its incorporation on February 27, 2013;
- (iii) U.S. subsidiary Poydras Gaming LLC from the date of its formation on February 11, 2013;
- (iv) U.S. subsidiary Poydras Street Finance II LLC from the date of acquisition on May 9, 2014 *;
- (v) U.S. subsidiary Windy Hill Capital LLC from the date of acquisition on May 9, 2014 *;
- (vi) U.S. subsidiary Aurora Gaming Inc. from the date of acquisition on July 20, 2015;
- (vii) U.S. subsidiary Integrity Gaming Inc. from the date of acquisition on July 20, 2015; and
- (viii) U.S. subsidiary Integrity Gaming of Kansas Inc. from the date of acquisition on July 20, 2015.

On July 15, 2014, the Company obtained a 49% ownership interest in Poydras Gaming Devices LLC and a 90% ownership interest in Poydras Gaming Finance (LA) LLC. Both companies are limited liability companies formed in Louisiana and both are currently inactive with no assets and no liabilities.

* On March 31, 2017, Poydras Street Finance II LLC and Windy Hill Capital LLC merged with the Company's wholly owned subsidiary Poydras Gaming LLC.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These condensed interim consolidated financial statements are presented in US dollars. The functional currency of the Canadian legal parent company PGFC and its legal Canadian subsidiary PSFC is the Canadian dollar. The functional currency of all U.S. subsidiaries is the US dollar. Canadian companies' financial statement amounts are translated into US dollars as follows: assets and liabilities – at the closing rate as at the financial reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income (loss) as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Foreign currency differences arising on translation are recognized in profit or loss.

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)
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3. Significant Accounting Policies

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards. There were no new accounting pronouncements relevant to the Company's operations issued subsequent to December 31, 2016.

4. Acquisition of A&W JV

Prior to August 11, 2016, the Company had a 50% interest in a joint venture, A&W JV. A&W JV was in the business of leasing slot machines to Native American-owned casinos in Oklahoma. The Company accounted for its investment in A&W JV using the equity basis of accounting as the Company had joint control over operations of this joint venture.

On August 11, 2016, the Company completed its acquisition of the remaining 50% interest in A&W JV for cash consideration of \$1,804,250. On August 12, 2016, A&W JV merged with the Company's wholly owned subsidiary Aurora Gaming. Subsequent to the acquisition, A&W JV's assets, liabilities revenue, expenses, gains and losses are included in the consolidated operations of the Company. Concurrently with closing of the acquisition, the Company recognized a \$588,317 revaluation loss on its investment in A&W JV.

For further details please refer to Note 4 of the annual consolidated financial statements of the Company for the year ended December 31, 2016.

5. Accounts Receivable

		March 31, 2017		December 31, 2016
Taxes receivable from federal governments	\$	25,748	\$	21,762
Trade receivables		2,035,716		1,959,167
	\$	2,061,464	\$	1,980,929

As of March 31, 2017, accounts receivables include allowance for doubtful accounts of \$626,772 (December 31, 2016 - \$636,061).

Poydras Gaming Finance Corp.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2017 and 2016***(Unaudited)**(Expressed in US Dollars unless otherwise stated)***6. Placement Fees**

The summary of the Company's prepaid casino placement fees is as follows:

	March 31, 2017	December 31, 2016
Beginning balance	\$ 6,482,721	\$ 8,026,135
Additions	-	1,872,000
Acquisition of A&W JV	-	261,387
Amortization expense	(449,658)	(1,944,649)
Impairment	-	(1,732,152)
Ending balance	\$ 6,033,063	\$ 6,482,721

	March 31, 2017	December 31, 2016
Cost	\$ 11,519,062	\$ 11,519,062
Accumulated amortization	(3,753,847)	(3,304,189)
Accumulated impairment	(1,732,152)	(1,732,152)
Net book value	\$ 6,033,063	\$ 6,482,721

As of March 31, 2017, the Company recorded \$Nil (December 31, 2016 – \$1,732,152) of impairment on placement fees.

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)
(Expressed in US Dollars unless otherwise stated)

7. Property and Equipment

The summary of the Company's property and equipment is as follows:

	Gaming Equipment	Vehicles	Computer Equipment and Other Assets	Total
	\$	\$	\$	\$
Cost				
Balance – December 31, 2015	11,560,753	360,390	5,091	11,926,234
Acquisition of A&W JV	3,227,897	-	-	3,227,897
Purchases	2,403,421	4,500	-	2,407,921
Equipment under finance leases	179,456	-	-	179,456
Disposals	(1,919,840)	(15,523)	-	(1,935,363)
Transfer to finance lease receivable	(467,163)	-	-	(467,163)
Balance – December 31, 2016	14,984,524	349,367	5,091	15,338,982
Purchases	1,104,354	-	-	1,104,354
Transfer from finance lease receivable	649,226	-	-	649,226
Disposals	(189,280)	(8,500)	-	(197,780)
Balance – March 31, 2017	16,548,824	340,867	5,091	16,894,782
Accumulated Amortization				
Balance – December 31, 2015	(2,497,274)	(50,221)	(2,044)	(2,549,539)
Amortization	(3,835,711)	(104,382)	(1,667)	(3,941,760)
Disposals	1,657,876	15,523	-	1,673,399
Balance – December 31, 2016	(4,675,109)	(139,080)	(3,711)	(4,817,900)
Amortization	(1,363,932)	(26,227)	(389)	(1,390,548)
Disposals	189,280	8,500	-	197,780
Balance – March 31, 2017	(5,849,761)	(156,807)	(4,100)	(6,010,668)
Carrying Value				
At December 31, 2016	10,309,415	210,287	1,380	10,521,082
At March 31, 2017	10,699,063	184,060	991	10,884,114

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)
(Expressed in US Dollars unless otherwise stated)

8. Finance Leases Receivable

- (a) On February 25, 2015, the Company entered into a long-term gaming machine placement agreement with the Tonkawa Tribe of Indians of Oklahoma to place 600 Class III gaming machines. This lease contract expires 83 months from February 25, 2015, being January 25, 2022, with minimum guaranteed lease payments for a period ranging from 42 to 83 months. As of March 31, 2017, the Company was generating revenue from 558 machines (December 31, 2016 – 558 machines).
- (b) On May 20, 2016, the Company signed a new long-term contract to place 234 gaming machines in a new Native American-owned casino in Oklahoma. This lease contract expires 83 months from July 1, 2016, being June 30, 2023, with minimum guaranteed lease payments for the first 36 months. Effective November 1, 2016, this finance lease receivable was considered to be impaired and the Company recorded a full allowance for uncollectible minimum lease payments of \$614,178. No leasing revenue was recorded from this contract after November 1, 2016. As of March 31, 2017, the Company has 170 machines in this casino.
- (c) Summary of the finance leases receivable is as follows:

		March 31, 2017	December 31, 2016
Current finance leases receivable	\$	2,228,348	\$ 2,114,009
Non-current finance lease receivable		5,341,142	6,572,193
	\$	7,569,490	\$ 8,686,202

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	\$	\$	\$	\$
Not later than 1 year	4,681,689	4,681,738	2,228,348	2,114,009
Between 1 and 5 years	11,955,001	17,109,390	5,341,142	6,572,193
Total	16,636,690	20,530,404	7,569,490	8,686,202
Less unearned finance revenue	(9,067,200)	(11,844,204)	n/a	n/a
Present value of minimum lease payments receivable	7,569,490	8,686,202	7,569,490	8,686,202

Unguaranteed residual values of equipment leased under finance leases as at March 31, 2017 are estimated at \$4,651,359 (December 31, 2016 - \$5,639,599). The interest rate inherent in the lease is fixed at the contract date for the entire lease term.

Finance lease revenue recognized during the current period was \$686,953 (March 31, 2016 - \$823,013). These amounts were recorded as leasing revenue in the condensed interim consolidated statements of comprehensive income (loss).

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)
(Expressed in US Dollars unless otherwise stated)

8. Finance Leases Receivable - Continued

The Company considers a finance lease receivable to be impaired when it is probable that it will be unable to collect all amounts due (principal and interest) according to the original terms of the contract. Impairment of one of the leases receivable effective November 1, 2016 did not result in recognition of a loss because equipment under this lease can be placed in other casinos and the estimated present value of future cash flows from this equipment exceeds the carrying values of the finance lease receivable.

9. Intangible Assets and Goodwill

(a) The summary of the Company's intangible assets is as follows:

	March 31, 2017	December 31, 2016
Beginning balance	\$ 5,156,889	\$ 4,429,873
Acquisition of BitBoss IP license *	-	50,000
Acquisition of A&W JV	-	1,452,610
Disposal of BitBoss IP license **	(34,610)	-
Amortization expense	(198,775)	(775,594)
Ending balance	\$ 4,923,504	\$ 5,156,889

	March 31, 2017	December 31, 2016
Cost	\$ 6,539,993	\$ 6,589,993
Accumulated amortization	(1,616,489)	(1,433,104)
Net book value	\$ 4,923,504	\$ 5,156,889

* On January 29, 2016, the Company, entered into an agreement with BitBoss Corporation ("**BitBoss**"), whereby the Company licenced the proprietary electronic shuffling and dealing system in exchange for an upfront cash payment to BitBoss of \$50,000 and additional cash payments to be made in the future.

** On January 4, 2017, in connection with a settlement of a portion of its promissory notes payable (*Note 12*), the Company sold its BitBoss IP license for an aggregate consideration of \$78,322 realizing a \$43,712 gain on disposal of BitBoss IP license.

Matthew Dickson, EVP of the Company, is also a director, officer, and significant shareholder of Bitboss, therefore this transaction is considered to be a related party transaction.

(b) The carrying value of goodwill as of March 31, 2017 and December 31, 2016 is \$4,009,887.

For further details please refer to Note 12 of the annual consolidated financial statements of the Company for the year ended December 31, 2016.

Poydras Gaming Finance Corp.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2017 and 2016***(Unaudited)**(Expressed in US Dollars unless otherwise stated)*

10. Loans Payable

The Company has historically financed the acquisition of new gaming machines and their related placement fees through a combination of vendor financing and third party debt. On July 29, 2016, substantially all of the Company's debt was refinanced via a \$30,525,000 term loan facility from MGG Investment Group LP ("**MGG**"). The summary of these loans is as follows:

	Interest Rate	Year of Maturity	Carrying Amount \$
Balance – December 31, 2016	2.9% - 12.3%	2017 - 2021	28,848,565
New borrowings			-
Accretion expense			1,089,140
Interest paid included in accretion expense			(932,297)
Principal repayments			(1,031,858)
Balance – March 31, 2017	2.9% - 12.6%	2017 - 2021	27,973,550
Less current portion			(3,099,536)
Non-current portion			24,874,014

a) As of March 31, 2017, the weighted average remaining life of the loans was 4.33 years and the weighted average interest rate was 12.28%. As of March 31, 2017, the carrying value of the loans payable was \$27,973,550 (December 31, 2016 - \$28,848,565). During the three months ended March 31, 2017, the Company recorded \$701 (March 31, 2016 - \$200,898) of interest expense and \$1,089,140 (March 31, 2016 - \$140,339) of accretion expense on these loans.

b) On December 9, 2015, Poydras closed a financing loan agreement for \$3,500,000. The loan was bearing an annual interest rate of 12% and was repayable in monthly blended principal and interest payments over 48 months. The loan was secured by the Company's assets. Poydras also agreed to grant to the lender the right to place 42 gaming devices under the Tonkawa contract. The lender provided its own 42 gaming devices and is paying an equipment servicing fee to Poydras. In connection with this loan, in 2015, the Company incurred \$432,893 of financing costs, including \$385,000 of Tonkawa placement fees. On July 29, 2016, the Company repaid \$3,500,000 in loan principal and \$140,000 of early prepayment fees.

Poydras Gaming Finance Corp.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended March 31, 2017 and 2016

(Unaudited)
(Expressed in US Dollars unless otherwise stated)

10. Loans Payable - Continued

c) MGG Financing

On July 29, 2016, as amended on December 30, 2016, the Company completed a financing arrangement with MGG on the following terms:

- (i) A five-year term loan facility in the aggregate principal amount of \$30,525,000 maturing on July 31, 2021.
- (ii) An initial interest rate of LIBOR plus 11.50% which steps down by up to 1.5% as the Company's leverage ratio drops below 1.75 : 1.0.
- (iii) Secured by a first lien priority lien on and security interest in the assets of Poydras Gaming and its subsidiaries.
- (iv) Principal repayments of \$763,125 every 3 months commencing on January 31, 2017 plus a 50% sweep of excess cash flow. Excess cash flow is defined as EBITDA less capital expenditures, financing costs, debt service payments, income taxes, and working capital adjustments. On January 31, 2017, the Company made an additional principal payment of \$250,000.
- (v) Total financing costs incurred in connection with closing of this loan were \$1,904,233, consisting of a 2% (\$610,500) original issuance discount, a \$151,000 loan amendment fee, and \$1,142,733 in legal, advisory and due diligence costs.
- (vi) Customary loan covenants include:
 - o Minimum Fixed Charge Coverage ratio of 1.50 : 1.00 starting in Q4 2016, gradually decreasing to 0.82 : 1.00 in Q4 2017, then increasing to 1.15 : 1.00 in Q4 2018 and decreasing to 1.10 : 1.00 in Q2 2019. Fixed Charge Coverage ratio is defined as the ratio of (a) consolidated EBITDA less capital expenditures to (b) the sum of debt service payments, interest expense, current income taxes paid, cash dividends and distributions paid, management, consulting, monitoring, and advisory fees, cash earn-outs paid, and capital expenditures; and
 - o Maximum Leverage Ratio of 4.00 : 1.00 starting in Q3 2016 and gradually decreasing to 1.50 : 1.00 in Q4 2020. Leverage Ratio is defined as the ratio of (a) all operating lease obligations and indebtedness to (b) consolidated EBITDA

As of March 31, 2017, the Company was in compliance with all MGG loan covenants. As of March 31, 2017, the combined interest rate on the MGG loan was 12.6%.

Poydras Gaming Finance Corp.
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11. Deferred Revenue

The summary of deferred revenue is as follows:

	March 31, 2017	December 31, 2016
Beginning balance	\$ 724,457	\$ 993,113
Amortization	(57,195)	(268,656)
Carrying value	667,262	724,457
Less current portion	(268,656)	(268,656)
Non-current portion	\$ 398,606	\$ 455,801

For further details please refer to Note 14 of the annual consolidated financial statements of the Company for the year ended December 31, 2016.

12. Promissory Notes Payable

As of March 31, 2017, the principal and accrued interest on the promissory notes was \$263,483 (December 31, 2016 - \$311,818). Current period accretion expense on the promissory notes was \$9,987 (March 31, 2016 - \$30,467).

	March 31, 2017	December 31, 2016
Face value of the promissory notes	\$ 1,500,000	\$ 1,500,000
Discount to fair value	(118,550)	(118,550)
Cumulative loan repayments	(1,521,569)	(1,463,247)
Cumulative accretion expense	403,602	393,615
Carrying value	263,483	311,818
Less current portion	-	(87,383)
Non-current portion	\$ 263,483	\$ 224,435

Promissory note holders signed amendment and subordination agreements in favor of the MGG loan. On December 31, 2016, one of the three creditors, and on January 4, 2017 the second creditor, agreed to increase interest rate from 10% to 14% in return for deferring remaining loan payments until Poydras achieves Adjusted EBITDA of \$12,000,000. On January 4, 2017, the Company agreed to sell to the third creditor its BitBoss IP license in return for the third creditor paying to the Company \$20,000 and settling the remaining promissory note balance of \$58,322.

For further details please refer to Note 15 of the annual consolidated financial statements of the Company for the year ended December 31, 2016.

13. Convertible Debentures Payable

On September 5, 2016, convertible debentures with the principal amount \$7,732,000 were fully redeemed and all conversion features were extinguished. For further details please refer to Note 16 of the annual consolidated financial statements of the Company for the year ended December 31, 2016.

Poydras Gaming Finance Corp.
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14. Shareholders' Equity

a) Authorized and Issued Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value. All shares are issued and fully paid.

b) Share Capital Transactions

There were no share issuances during the current period.

c) Stock Options

On May 19, 2015, the Company has adopted a "fixed" stock option plan (the "**Plan**"), pursuant to which the Company can have a maximum of 3,300,000 of the issued and outstanding common shares of the Company reserved for issuance as options and will be granted at the discretion of the Company's Board of Directors to eligible optionees under the Plan. Stock options granted vest over the period determined by the Board of Directors, stock options granted to independent directors vest immediately, and all other options usually vest over 3 years.

The following is a summary of activity in stock options:

December 31, 2016	Granted	Exercised	Forfeited	March 31, 2017	Weighted Average Exercise Price	Expiry Date
40,000	-	-	-	40,000	C\$3.00	Oct 10, 2017
995,000	-	-	-	995,000	C\$2.50	May 9, 2019
135,000	-	-	-	135,000	C\$1.00	May 4, 2020
85,000	-	-	-	85,000	C\$1.00	May 27, 2020
200,000	-	-	-	200,000	C\$0.85	July 20, 2020
420,000	-	-	-	420,000	C\$0.48	May 4, 2021
125,000	-	-	-	125,000	C\$0.85	July 20, 2025
2,000,000	-	-	-	2,000,000	C\$1.65	

During the three months ended March 31, 2017, the Company recorded share-based compensation expense of \$26,662 (March 31, 2016 - \$56,467). As of March 31, 2017, 1,480,917 (December 31, 2016 - 1,462,167) stock options were fully vested with a weighted average exercise price of C\$1.81 (December 31, 2016 - C\$1.82).

Subsequent to March 31, 2017, on April 26, 2017, the Company granted 170,000 stock options to its directors exercisable at C\$0.55 per share for a period of five years from the date of grant.

d) Share Purchase Warrants

The following is a summary of activity in share purchase warrants:

December 31, 2016	Granted	Exercised	Forfeited	March 31, 2017	Weighted Average Exercise Price	Expiry Date
328,638	-	-	-	328,638	C\$0.70	July 20, 2017

Poydras Gaming Finance Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

(Expressed in US Dollars unless otherwise stated)

14. Shareholders' Equity – Continued

e) Restricted Share Units

Effective May 19, 2015, the Company adopted a Restricted Shares Units Plan (the “**RSU Plan**”) pursuant to which the Company can have a maximum of 2,500,000 of the issued and outstanding common shares of the Company reserved for issuance as Restricted Share Units (“**RSUs**”) and will be granted at the discretion of the Company’s Board of Directors to eligible recipients under the RSU Plan.

The following is a summary of activity in RSUs:

December 31 2016	Granted	Exercised	March 31 2017	RSUs Vested	Expiry Date
1,000,000	-	-	1,000,000	500,000	December 31, 2018
880,000	-	-	880,000	-	April 30, 2019
1,880,000	-	-	1,880,000	500,000	

Stock based compensation expense is recognized over the estimated vesting period commencing on the date of grant and ending on the date when vesting conditions are expected to be met. Stock based compensation is charged to profit and loss with a corresponding increase in RSU Reserve. During the three months ended March 31, 2017, the Company recorded a \$66,257 (March 31, 2016 - \$48,253) stock based compensation expense related to the RSUs. As of March 31, 2017, 1,880,000 RSUs were outstanding (December 31, 2016 – 1,880,000).

As of March 31, 2017, 500,000 RSUs were vested (December 31, 2016 – 500,000). These RSUs were exercised subsequent to March 31, 2017, on April 21, 2017, and on that date the Company issued 500,000 common shares to the RSUs holders.

Subsequent to March 31, 2017, on April 21, 2017, the Company granted 620,000 RSUs to its directors, officers and employees. These RSUs vest at the later of (a) April 30, 2018 and (b) the date upon which the Company achieves Adjusted EBITDA in excess of US\$15,000,000 for any four consecutive quarters. Unvested RSUs will expire on April 30, 2020. The Company has the option to settle the RSUs upon vesting in either common shares of the Company or in cash.

f) Escrow Shares

As of March 31, 2017, 1,538,427 (December 31, 2016 – 2,069,260) common shares of the Company were held in escrow in accordance with requirements of the TSX.V and the respective escrow agreements. Between 15% and 25% of common shares that were originally placed in escrow are being released every 6 months at various dates and various amounts. All escrow shares will be fully released by July 20, 2017.

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14. Shareholders' Equity - Continued

g) Reserves

	Reserves (\$)				
	Acquisition of non- controlling interest	Options	Warrants	RSUs	Total
Balance – December 31, 2016	(1,624,105)	1,455,191	411,123	423,051	665,260
Stock based compensation – stock options <i>(Note 14c)</i>	-	26,662	-	-	26,662
Stock based compensation – RSUs <i>(Note 14e)</i>	-	-	-	66,257	66,257
Balance – March 31, 2017	(1,624,105)	1,481,853	411,123	489,308	758,179

15. Leasing Revenue

The Company has a number of arrangements to lease gaming machines to Tribal casinos in the state of Oklahoma and Texas on a participation basis. These lease arrangements are classified as operating leases as substantially all of the risks and rewards associated with the gaming machines will not be transferred to the casinos. The lease contracts have no minimum lease payments associated with these arrangements as all lease payments are contingent on the performance of the gaming machines.

Operating lease revenues recognized during the three months ended March 31, 2017 were \$2,904,068 (March 31, 2016 - \$2,197,906) and leasing revenue from finance leases receivable for the three months ended March 31, 2017 was \$686,953 (March 31, 2016 - \$823,013) for total leasing revenues of \$3,591,021 (March 31, 2016 - \$3,020,919).

The terms of the lease revenue contracts range between agreements that are renewed on a monthly basis and long-term contracts expiring in September 2021. As of March 31, 2017, the Company was generating leasing revenue from approximately 2,665 gaming machines (December 31, 2016 – 2,618 gaming machines).

16. Gain on settlement of debt

During the three months ended March 31, 2017, the Company settled debt owed to a vendor, resulting in gain of \$28,380.

17. Income (Loss) Per Share

The basic and diluted income (loss) per share has been calculated based on the following weighted average number of common shares issued and outstanding during the three months ended March 31, 2017 and 2016:

	2017	2016
Weighted average number of common shares – basic and diluted	34,548,928	34,548,928

Poydras Gaming Finance Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in US Dollars unless otherwise stated)

18. Related Party Transactions

Related party transactions and balances are as follows:

- (a) During the period ended March 31, 2017, the Company recorded \$341,116 (March 31, 2016 - \$303,090) of management salaries and accrual of bonuses for the Company's directors and officers and \$6,400 (March 31, 2016 - \$Nil) of directors' fees for the Company's directors.
- (b) As of March 31, 2017, included in accounts payable and accrued liabilities are \$96,128 (December 31, 2016 - \$48,000) of accrued management bonus payable, \$6,400 (December 31, 2016 - \$6,400) of accrued directors' fees payable and \$30,398 management salary payable (December 31, 2016 - \$Nil).
- (c) Compensation of Key Management Personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of March 31, 2017 and 2016, the Company's key management personnel consist of the Company's directors and senior management (Chief Executive Officer, President, Corporate Secretary and Chief Financial Officer). Poydras incurred fees and expenses in the normal course of operations in connection with the key management and directors. Details are as follows:

Nature of Transactions		March 31, 2017		March 31, 2016
Management salaries and bonuses	\$	341,116	\$	303,090
Directors' fees		6,400		-
Stock based compensation – options		14,688		47,864
Stock based compensation – RSUs		56,389		41,015
	\$	418,593	\$	391,969

Poydras Gaming Finance Corp.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2017 and 2016***(Unaudited)**(Expressed in US Dollars unless otherwise stated)*

18. Related Party Transactions - Continued**(d) Commitments**

In 2014 and 2015, the Company signed four employment agreements with the Company's senior management for an initial term of between 3 and 5 years. Employment terms include the following commitments:

- (i) basic annual compensation of between \$150,000 and \$250,000;
- (ii) annual bonus equal to a minimum of 40% and a maximum of 75% of the basic annual compensation, subject to successfully achieving certain goals established by the Company;
- (iii) in case of termination of the employment agreement by the Company without cause, the employee is entitled to receive a severance payment equal to two times basic annual compensation plus two times minimum annual bonus, and all unvested stock options will vest immediately.

The above transactions occurred in the normal course of operations, and are measured at the amount of consideration established and agreed to by the related parties.

19. Non-Cash Investing and Financing Transactions

Non-cash investing and financing activities for the three months ended March 31, 2017 and 2016 are as follows:

	2017		2016	
Equipment purchases included in accounts payable	\$	1,078,449	\$	83,500
Equipment purchases financed by loans payable	\$	-	\$	179,456
Share issuance costs in accounts payable	\$	-	\$	5,444

20. Segmented Information

The Company's operating businesses are structured and managed on a project by project basis. The Company is engaged in the business of leasing of gaming equipment to casinos, providing capital to gaming equipment manufacturers and selling bingo supplies. Senior management reviews gross margins on a project by project basis and operating expenses are reviewed on a consolidated basis. Financial information, including revenues and related expenses, are not reviewed on a business line basis by the Company's senior management. Hence, based on the Company's organizational structure and the manner in which the operations are managed and evaluated by senior management, the Company is considered to be operating in one reportable segment. All revenues are generated in the USA and substantially all of the Company's assets are located in the USA.

Poydras Gaming Finance Corp.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2017 and 2016***(Unaudited)**(Expressed in US Dollars unless otherwise stated)*

21. Capital Management

The Company depends on internal generated revenues and external financing to fund its activities. The capital structure of the Company currently consists of common shares and loans payable. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and performance of gaming equipment in casinos to which equipment is being leased by the Company.

In order to maintain or adjust the capital structure, the Company may arrange more loans, issue new common shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

22. Financial Instruments**a) Categories of Financial Assets and Liabilities**

The carrying value of the Company's financial instruments are classified into the following categories:

	March 31, 2017	December 31, 2016
Loans and receivables (i)	\$ 4,663,414	\$ 5,352,270
Other financial liabilities (ii)	\$ 32,115,880	\$ 33,009,067

- (i) Financial instruments classified as loans and receivables consist of cash and cash equivalents, accounts receivable.
- (ii) Financial instruments classified as other financial liabilities consist of accounts payable, accrued liabilities, promissory notes payable, loans payable and earn-out payable

The carrying values of the Company's financial instruments approximate their fair values.

Poydras Gaming Finance Corp.

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22. Financial Instruments - Continued

b) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short term maturities. The fair value of the loans payable, earn-out payable and promissory notes payable approximates the carrying value because the underlying market rate did not change. There were no transfers of instruments between levels in the fair value hierarchy.

c) Management of Risks Arising from Financial Instruments

The Company's financial instruments are exposed to the following financial risks:

(i) Credit Risk – Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash, accounts receivable, and finance lease receivable. The credit risk is minimized by placing cash and investing short-term investments with large Canadian and USA financial institutions. Credit risk is managed through dealing with financially strong counterparties and regular cash collections. The maximum credit risk is the recognized financial assets on the condensed consolidated interim statement of financial position.

(ii) Currency Risk – The Company's main operations are conducted in the USA and using US dollars. The Canadian parent company conducts certain transactions in Canadian dollars, therefore the Company is exposed to foreign currency fluctuation. The Company uses US dollars as its reporting currency and the parent company's resulting exchange differences between Canadian functional currency and US reporting currency are reported as accumulated other comprehensive income (loss), which is presented as a separate component of equity. The currency exchange fluctuations between the Canadian and US dollars relating to the parent company's income and expenses would have an impact on profit or loss of the Company.

As of March 31, 2017 and for the period then ended, a 1% increase in the value of the Canadian dollar in relation to the US dollar would have decreased net assets by approximately \$800 and would have increased net loss of the Company by approximately \$1,000.

Poydras Gaming Finance Corp.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2017 and 2016***(Unaudited)**(Expressed in US Dollars unless otherwise stated)***22. Financial Instruments - Continued****c) Management of Risks Arising from Financial Instruments - Continued**

(iii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due if additional capital is not available to the Company when required. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations, loan obligations and capital expenditures. The Company ensures that sufficient funds are raised from debt or equity financings to meet its operating requirements, after taking into account its existing working capital and expected future revenues. The Company's cash is invested in business accounts which are available on demand for the Company's operations and are not invested in any asset backed deposits or investments.

The following table summarizes amounts and maturity dates of the Company's contractual obligations as of March 31, 2017:

	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	Total \$
Accounts payable and accrued liabilities	3,638,847	-	-	-	-	3,638,847
Earn-out payable	-	240,000	-	-	-	240,000
Loans payable *	5,082,793	6,509,266	6,163,327	5,789,353	19,469,283	43,014,022
Promissory notes payable *	-	327,512	-	-	-	327,512
Office and warehouse leases	14,300	13,500	-	-	-	27,800
	8,735,940	7,090,278	6,163,327	5,789,353	19,469,283	47,248,181

* Including future interest expense repayments

In addition, the putable feature embedded in the common shares exposes the Company to liquidity risk due to unforeseen redemptions under certain limited conditions.

(iv) Market Concentration – A significant portion of the Company's revenues is currently derived from contracts with four Indian tribes. No assurances can be given that any of such contracts will be renewed upon the expiration of their term or that, if renewed, the terms and conditions thereof will be favorable to the Company. A failure to renew such contracts upon terms favorable to the Company or the cancellation of a significant number of such contracts would have a material adverse effect upon the Company's business and results of operations.

(v) Interest rate risk - As of March 31, 2017, Poydras had (i) MGG loan payable of \$27,915,476 with a variable annual interest rate of LIBOR plus 11.50% (effective interest rate of 12.60% as of March 31, 2017), (ii) promissory notes payable with principal and accrued interest of \$263,483 bearing a 14% interest rate and repayable on December 31, 2018, and (iii) a number of vehicle loans payable totaling \$58,074 with maturities between May 5, 2017 and July 9, 2018 and with fixed annual interest rates of between 2.9% and 5.0%. LIBOR rates fluctuate over time, new loan agreements may be entered into in the future or existing loans may be renewed at new interest rates, therefore Poydras is subject to interest rate risk.

Poydras Gaming Finance Corp.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended March 31, 2017 and 2016***(Unaudited)**(Expressed in US Dollars unless otherwise stated)***23. Nature of Expenses**

The following schedule presents additional information on selected expenses for years ended March 31, 2017 and 2016.

	2017	2016
Operating expenses:		
Advertising and promotion	\$ 15,849	26,775
Bad debt expense recovery	(1,954)	(10,925)
Depreciation of equipment	1,390,548	888,132
Amortization of equipment placement fees	449,658	443,148
Equipment maintenance	247,250	164,583
Gaming commission fees	71,988	30,749
Travel and other expenses	95,144	69,852
	<u>\$ 2,268,483</u>	<u>1,612,314</u>
General and administrative expenses:		
Consulting	\$ 12,000	71,967
Investor relations	22,926	25,682
Salaries and benefits	1,040,783	1,006,617
Office and administration	219,511	245,294
Professional fees	89,087	43,385
Stock based compensation	92,919	104,720
Listing, filing and transfer agent	13,381	23,036
	<u>\$ 1,490,607</u>	<u>1,520,701</u>
Financing costs:		
Accretion expense on promissory notes	\$ 9,987	30,467
Accretion expense on convertible debentures	-	361,881
Accretion expense on loans payable	1,089,140	140,339
Financing costs	40,518	14,560
Interest expense	701	200,898
	<u>\$ 1,140,346</u>	<u>748,145</u>

24. Income Taxes

The Company's combined federal and provincial statutory income tax rate is 39%.

During the period ended March 31, 2017, the Company recorded \$Nil (March 31, 2016 - \$131,960) of deferred income tax expense. The Company regularly evaluates its deferred tax position and recognizes available deferred tax assets to the extent they can be utilized to offset deferred tax liabilities.