Poydras Gaming Finance Corp.

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2016 and 2015

(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, 2016		December 31, 2015
Current				
Cash	$	**2,450,463**	$	2,275,174
Accounts receivable *(Note 5)*		**1,941,013**		2,422,312
Inventory *(Note 6)*		**332,449**		276,345
Prepaid expenses *(Note 7)*		**196,277**		97,445
Loans receivable *(Note 11)*		**36,809**		66,200
Finance lease receivable *(Note 12)*		**1,580,486**		1,447,381
		6,537,497		6,584,857
Placement Fees *(Note 8)*		**7,582,987**		8,026,135
Property and Equipment *(Note 9)*		**8,764,632**		9,376,695
Investment in A&W JV *(Note 10)*		**3,270,973**		3,206,322
Finance Lease Receivable *(Note 12)*		**5,621,793**		6,203,497
Intangible Assets *(Note 13)*		**4,304,425**		4,429,873
Goodwill *(Note 4a)*		**4,009,887**		4,009,887
	$	**40,092,194**	$	41,837,266

LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Note 21 and 25)*	$	**2,623,153**	$	2,677,503
Earn-out payable *(Note 4a)*		**-**		599,000
Loans payable *(Note 14)*		**8,431,565**		8,368,940
Convertible debentures payable *(Note 17)*		**7,050,723**		-
Deferred revenue *(Note 15)*		**268,656**		268,656
Promissory note payable *(Note 16)*		**596,720**		582,121
		18,970,817		12,496,220
Deferred Revenue *(Note 15)*		**657,293**		724,457
Loans Payable *(Note 14)*		**6,399,193**		7,644,437
Promissory Note Payable *(Note 16)*		**141,252**		287,967
Convertible Debentures Payable *(Note 17)*		**-**		6,901,472
Deferred Income Taxes *(Note 28)*		**678,593**		546,633
		26,847,148		28,601,186
EQUITY				
Share Capital *(Note 18)*		**27,978,707**		27,978,707
Reserves *(Note 18)*		**149,601**		44,881
Accumulated Other Comprehensive Income		**1,438,551**		1,875,567
Deficit		**(16,321,813)**		(16,663,075)
Total Equity		**13,245,046**		13,236,080
	$	**40,092,194**	$	41,837,266

Nature of Operations and Going Concern *(Note 1)*

Subsequent Events *(Note 29)*

Approved on behalf of the Board of Directors:

"Peter Macy", Director

"Daniel Davila", Director

- 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, 2016 and 2015

(Unaudited)
(Expressed in US Dollars)

		2016		2015
Revenue				
Leasing revenue *(Note 19)*	$	**3,020,919**	$	656,088
Bingo sales		**669,504**		-
		3,690,423		656,088
Income from equity-accounted investees *(Note 10)*		**337,558**		-
Bingo supplies		**(429,389)**		-
Operating expenses *(Note 27)*		**(1,612,314)**		(450,063)
General and administrative expenses *(Note 27)*		**(1,520,701)**		(594,764)
Amortization of intangible assets (*Notes 10 and 13*)		**(216,061)**		(73,533)
Loss on disposal of assets		**(38,947)**		-
Income (loss) from operations		**210,569**		(462,272)
Financing costs (*Note 27)*		**(748,145)**		(386,643)
Foreign exchange gain (loss)		**411,798**		(660,554)
Interest income		**-**		5,146
Revaluation of earn-out liability (*Note 4a)*		**599,000**		-
Net income (loss) before tax		**473,222**		(1,504,323)
Deferred income tax expense (*Note 28*)		**(131,960)**		-
Net income (loss) for the period		**341,262**		(1,504,323)
Other comprehensive income:				
Items that may be reclassified to net income or loss				
Cumulative translation differences		**(437,016)**		637,252
Comprehensive Loss for the Period	$	**(95,754)**	$	(867,071)
Net income (loss) per share - basic and diluted	$	**0.00**	$	(0.01)
Weighted average number of common shares outstanding – basic *(Note 20)*		**345,489,260**		130,942,197
Weighted average number of common shares outstanding – diluted *(Note 20)*		**355,489,260**		130,942,197

– 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, 2016 and 2015
(Unaudited)
(Expressed in US Dollars)

		2016		2015
Operations:				
Net income (loss) for the period	$	**341,262**	$	(1,504,323)
Items not affecting cash:				
Accretion in excess if interest expense		**192,791**		135,514
Accrued interest income		**-**		(4,798)
Amortization and depreciation		**1,547,341**		363,150
Bad debt recovery		**(10,925)**		-
Deferred income taxes		**131,960**		-
Deferred revenue		**(67,164)**		-
Foreign exchange		**(411,798)**		660,554
Income from equity-accounted investee		**(337,558)**		-
Revaluation of earn-out liability		**(599,000)**		-
Loss on disposal of equipment		**38,947**		-
Stock-based compensation on options and RSUs		**104,720**		98,773
		930,576		(251,130)
Change in non-cash working capital:				
Accounts receivable		**492,224**		(350,071)
Prepaid expenses		**(98,832)**		39,728
Inventory		**(56,104)**		-
Accounts payable and accrued liabilities		**(101,557)**		55,478
		1,166,307		(505,995)
Investing:				
Placement fees		**-**		(1,027,434)
Gaming equipment		**(52,060)**		(3,288)
Loans receivable		**29,391**		(52,274)
Finance lease receivable		**448,599**		-
Investment in A&W JV		**232,294**		-
Cash paid for acquisition of Integrity Companies, net		**(50,000)**		-
		608,224		(1,082,996)
Financing:				
Promissory notes payable		**(141,484)**		(162,583)
Loans payable		**(1,396,247)**		(179,919)
Share issuance costs paid		**(36,293)**		-
		(1,574,024)		(342,502)
Net increase (decrease) in cash		**200,507**		(1,931,493)
Exchange impact on cash held in foreign currency		**(25,218)**		(23,302)
Cash - beginning of period		**2,275,174**		3,559,273
Cash - end of period	$	**2,450,463**	$	1,604,478

Non-Cash Investing and Financing Transactions *(Note 22)*

- 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 18)*					
	Shares*	Amount $	Reserves *(Note 18)* $	Accumulated Other Comprehensive Income $	Deficit $	Total Equity $
Balance - January 1, 2015	130,942,197	16,495,957	(524,055)	595,450	(13,750,880)	2,816,472
Total comprehensive income						
Net loss for the period	-	-	-	-	(1,504,323)	(1,504,323)
Foreign currency translation	-	-	-	637,252	-	637,252
Total comprehensive income	-	-	-	637,252	(1,504,323)	(867,071)
Stock based compensation *(Note 15)*	-	-	98,773	-	-	98,773
Balance – March 31, 2015	**130,942,197**	**16,495,957**	**(425,282)**	**1,232,702**	**(15,255,203)**	**2,048,174**

*Subsequent to March 31, 2016, 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 condensed interim consolidated financial statements and notes thereto are on a pre-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 18)*		Reserves *(Note 18)*	Accumulated Other Comprehensive Income	Deficit	Total Equity
	Shares*	Amount $	$	$	$	$
Balance - January 1, 2016	345,489,260	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 18)*	-	-	56,467	-	-	56,467
Stock based compensation on RSUs *(Note 18)*	-	-	48,253	-	-	48,253
	-	-	104,720	-	-	104,720
Balance – March 31, 2016	**345,489,260**	**27,978,707**	**149,601**	**1,438,551**	**(16,321,813)**	**13,245,046**

* Subsequent to March 31, 2016, 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 condensed interim consolidated financial statements and notes thereto are on a pre-consolidation basis.

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

1. Nature of Operations and Going Concern

Poydras Gaming Finance Corp. (the **"Company**" or "**Poydras**") is in the business of providing capital and gaming equipment to casino operators and vendors in the USA. The Company's head office address is at Suite 800-789 West Pender Street, Vancouver, British Columbia, V6C 1H2. 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".

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**").

These condensed interim consolidated financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company experienced significant losses since inception, has a working capital deficiency and was late with monthly loan repayments of certain loans. These circumstances have resulted in a material uncertainty about whether the Company will be able to obtain alternative financing required for repayment of the bank borrowings and to meet its other obligations as they become due. This material uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate profits, positive cash flows from operations, and to obtain additional funding from loans and other financing arrangements which the Company is in the process of arranging. However, there can be no assurance that these activities will be successful. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed interim consolidated financial statements, then adjustments would be necessary to the carrying values and classification of assets and liabilities, and such adjustments could be material.

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, 2015. 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, 2015.

These financial statements were approved for issue by the board of directors effective May 27, 2016.

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 May 9, 2014 convertible debentures conversion feature which is 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.

2. Basis of Presentation - *Continued*

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 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.

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, 2015.

4. Acquisitions

a) Acquisition of Integrity Companies

On July 20, 2015, the Company completed the acquisition of a 100% equity interest in the Integrity Companies. The aggregate purchase price (the "**Purchase Price**") for the Integrity Companies was $6,876,599 and consisted of the following:

(i) 38,927,779 common shares of the Company with a deemed value of $5,500,000 at C$0.18 per share, and a fair value on the date of issuance of $2,545,865;

(ii) an earn-out payable estimated at $543,000 on July 20, 2015 (December 31, 2015 - $599,000) payable in 2016 based on certain performance metrics to be achieved by the Integrity Companies; during the three months ended March 31, 2016, the earn-out liability estimate was revised to $Nil, which resulted in a recognition of a $599,000 revaluation adjustment in the consolidated statement of comprehensive income (loss);

(iii) cash consideration of $3,753,890 paid by the Company on July 20, 2015; and

(iv) an increase in purchase price of $33,844 as a result of post-closing adjustments due to changes in working capital and assumed liabilities.

For further details please refer to Note 4 of the annual consolidated financial statements of the Company for the year ended December 31, 2015.

(Expressed in US Dollars unless otherwise stated)

5. Accounts Receivable

		March 31, 2016		December 31, 2015
Taxes receivable from federal governments	$	36,866	$	90,471
Trade receivables		1,904,147		2,331,841
	$	1,941,013	$	2,422,312

Aging of trade receivables is as follows:

	0-30 days $	31-90 days $	Over 91 days $	Total $
March 31, 2016	1,476,132	349,926	78,089	1,904,147
December 31, 2015	1,498,754	526,523	306,564	2,331,841

As of March 31, 2016, accounts receivables include allowance for doubtful accounts of $15,202 (December 31, 2015 - $26,202).

6. Inventory

		March 31, 2016		December 31, 2015
Bingo supplies	$	332,449	$	276,345

7. Prepaid Expenses

The summary of the Company's prepaid expenses is as follows:

		March 31, 2016		December 31, 2015
Insurance, investor relations, license fees and other	$	196,277	$	97,445

8. Placement Fees

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

		March 31, 2016		December 31, 2015
Beginning balance	$	8,026,135	$	2,380,164
Additions *		-		5,500,000
Disposals *		-		(385,000)
Acquisition of Integrity Companies		-		1,618,960
Amortization expense		(443,148)		(1,087,989)
Ending balance	$	7,582,987	$	8,026,135

		March 31, 2016		December 31, 2015
Cost	$	9,385,675	$	9,385,675
Accumulated amortization		(1,802,688)		(1,359,540)
Net book value	$	7,582,987	$	8,026,135

(Expressed in US Dollars unless otherwise stated)

9. 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, 2014	3,811,231	-	-	3,811,231
Acquisition of Integrity Companies	5,084,601	336,206	5,091	5,425,898
Purchases	109,382	-	-	109,382
Equipment under finance leases	3,011,799	24,184	-	3,035,983
Disposals	(456,260)			(456,260)
Balance – December 31, 2015	11,560,753	360,390	5,091	11,926,234
Purchases	135,600	-	-	135,600
Equipment under finance leases	179,456	-	-	179,456
Disposals	(106,577)	(15,523)	-	(122,100)
Balance – March 31, 2016	11,769,232	344,867	5,091	12,119,190
Accumulated Amortization				
Balance – December 31, 2014	(876,079)	-	-	(876,079)
Amortization	(1,834,115)	(50,221)	(2,044)	(1,886,380)
Disposals	212,920	-	-	212,920
Balance – December 31, 2015	(2,497,274)	(50,221)	(2,044)	(2,549,539)
Amortization	(881,594)	(6,122)	(416)	(888,132)
Disposals	67,590	15,523	-	83,113
Balance – March 31, 2016	(3,311,278)	(40,820)	(2,460)	(3,354,558)
Carrying Value				
At December 31, 2015	9,063,479	310,169	3,047	9,376,695
At March 31, 2016	8,457,954	304,047	2,631	8,764,632

Legal ownership title to the equipment financed under finance lease agreements will transfer to the Company upon full repayment of the equipment loans payable *(Note 14)*.

10. Investment in A&W JV

The Company's investment consists of an interest in a joint venture. The equity-accounted investee is Aurora A&W Enterprises, LLC ("**A&W JV**") in which the Company owns a 50% interest. A&W JV is in the business of leasing slot machines to Native American-owned casinos in Oklahoma. The Company accounts for its investment in A&W JV using the equity basis of accounting as the Company has joint control over operations of this joint venture.

11. Loans Receivable

a) Loan Receivable #1

On October 2, 2013, the Company entered into a financing loan agreement with a company involved in assembling gaming equipment and leasing it to gaming casinos in the USA. Under this loan agreement, the Company advanced to the borrower $389,850. The loan provides for the Company to receive a fixed dollar amount revenue share from the machines for as long as they are in operation.

As a security for the loan, the Company has the right to have a perfected first priority security interest in the borrower's right, title and interest in the gaming equipment and revenue share agreements that the borrower may enter into with casinos.

The borrower had built 30 gaming machines using funds advanced by the Company. These machines were installed under the existing operating lease revenue contracts of the Company. During 3 months ended March 31, 2016, the Company received $22,391 (year ended December 31, 2015 - $70,520) of loan repayments from revenue generated by the machines placed at casinos. During the year ended December 31, 2015, the Company concluded that the loan was impaired and recorded a $280,189 provision for impairment. As of March 31, 2016, the estimated recoverable amount of this loan receivable was $36,809 (December 31, 2015 - $66,200).

b) Loan Receivable #2

On June 1, 2014, the Company entered into a financing loan agreement with two companies involved in assembling gaming equipment and leasing it to gaming casinos in the USA. Under this loan agreement, the Company advanced a total of $85,679 to the borrowers. The loan matured on June 1, 2015, is secured by all business property of the borrowers, and bears an annual interest rate of 12% until June 1, 2015 and 16% thereafter. During the year ended December 31, 2015, the Company concluded that the loan was impaired and recorded a full provision for impairment of $90,525. As of March 31, 2016 and December 31, 2015, the carrying value of the loan principal and accrued interest was $Nil.

(Expressed in US Dollars unless otherwise stated)

12. Finance Lease Receivable

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 48 months. As of March 31, 2016, the Company was generating revenue from 576 machines.

	March 31, 2016	December 31, 2015
Current finance lease receivable	$ 1,580,486	$ 1,447,381
Non-current finance lease receivable	5,621,793	6,203,497
	$ 7,202,279	$ 7,650,878

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	March 31, 2016 $	December 31, 2015 $	March 31, 2016 $	December 31, 2015 $
Not later than 1 year	4,459,128	4,543,176	1,580,486	1,447,381
Between 1 and 5 years	8,546,664	9,843,549	5,621,793	6,203,497
Total	13,005,792	14,386,725	7,202,279	7,650,878
Less unearned finance revenue	(5,803,513)	(6,735,847)	n/a	n/a
Present value of minimum lease payments receivable	7,202,279	7,650,878	7,202,279	7,650,878

Unguaranteed residual values of equipment leased under finance leases as at March 31, 2016 are estimated at $4,328,071 (December 31, 2015 - $4,281,533). The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The finance lease receivable as of March 31, 2016 is neither past due nor impaired, therefore no allowance for uncollectible minimum lease payments has been recorded in these financial statements.

Finance lease revenue recognized during the current period was $823,013 (March 31, 2015 - $116,548). These amounts were recorded as leasing revenue in the consolidated statements of comprehensive income (loss).

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.

(Expressed in US Dollars unless otherwise stated)

13. Intangible Assets

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

		March 31, 2016		December 31, 2015
Beginning balance	$	4,429,873	$	1,697,620
Acquisition of Integrity Companies (a)		-		3,200,000
Acquisition of BitBoss IP license (b)		50,000		-
Amortization expense		(175,448)		(467,747)
Ending balance	$	4,304,425	$	4,429,873

		March 31, 2016		December 31, 2015
Cost	$	5,137,383	$	5,087,383
Accumulated amortization		(832,958)		(657,510)
Net book value	$	4,304,425	$	4,429,873

(a) On July 20, 2015, as part of the acquisition of Integrity Companies, the Company acquired intangible assets with the fair value estimated at $3,200,000 which consists of Aurora Gaming's revenue contracts and customer relationships. These intangible assets are amortized on straight-line basis over the estimated remaining life of the relationships and contracts of 10 years from the date of acquisition.

(b) On January 29, 2016, the Company, entered into the Strategic Alliance Agreement (the "**Agreement**") with BitBoss Corporation ("**BitBoss**"), whereby the Company licenced the proprietary electronic shuffling and dealing system ("**System**") in exchange for cash payments to BitBoss based on Poydras' gross licence IP sales to other parties as follows:

(i) $50,000 cash on signing of the Agreement (paid)
(ii) $50,000 cash upon sales of BitBoss License IP by Poydras of $100,000
(iii) 40% of gross Licence IP sales received by Poydras;

The Company is also required to meet IP license sales targets to continue to renew the license. These intangible assets are amortized on straight-line basis over the estimated remaining life of IP license of three years from the date of the agreement.

As an incentive to Poydras, BitBoss will issue to Poydras share purchase warrants to purchase up to 5% common shares of BitBoss on a fully diluted basis at an aggregate nominal price of $1 exercisable within three years from the date of issuance of the warrants ("**BitBoss Warrants**"). BitBoss Warrants will be issued upon Poydras providing a notice to BitBoss that it received all necessary approvals including TSX-V approval (received) and if required the approval of the holders of the Convertible Debentures. Poydras will also provide consulting services to BitBoss.

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.

(Expressed in US Dollars unless otherwise stated)

14. Loans Payable

The Company is financing acquisition of a number of the gaming machines by obtaining finance lease financing directly from the vendors or other parties. The realized financing obligation is recorded and presented as Loans Payable. The summary of these loans is as follows:

	Interest Rate	Year of Maturity	Carrying Amount $
Balance – December 31, 2015			16,013,377
New borrowings	12.0%	2016 - 2017	179,456
Accretion expense			140,339
Interest paid included in accretion expense			(106,167)
Principal repayments			(1,396,247)
Balance – March 31, 2016			14,830,758
Less current portion			(8,431,565)
Non-current portion			6,399,193

a) As of March 31, 2016, the weighted average remaining life of the loans was 1.94 years and the weighted average interest rate was 8.09%. As of March 31, 2016, the carrying value of the loans payable was $14,830,758 (December 31, 2015 - $16,013,377). During the three months ended March 31, 2016, the Company recorded $200,898 (March 31, 2015 - $4,652) of interest expense and $140,339 (March 31, 2015 - $Nil) of accretion expense on these loans.

b) As of March 31, 2016, the Company was late with monthly loan repayments on six loans (December 31, 2015 – seven loans), which in accordance with the loan agreements would allow the lenders to call the loans for an immediate repayment. These loans had a carrying value of $3,138,854 as at March 31, 2016 (December 31, 2015 - $3,376,055), and are classified as current liabilities; however, to date, none of the lenders requested a repayment of their entire loan balances. As of the date of release of these financial statements, the Company cured defaults on all loans and all loans of the Company are in good standing.

c) On December 9, 2015, Poydras closed a financing loan agreement for $3,500,000. The loan bears an annual interest rate of 12% and is repayable in monthly blended principal and interest payments over 48 months. The loan is secured by the Company's gaming machine placement agreement with the Tonkawa Tribe of Indians of Oklahoma and all equipment placed by the Company in the Tonkawa casinos. 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 to Poydras equipment servicing fee. In connection with this loan, in 2015 the Company incurred $432,893 of financing costs, including $385,000 of Tonkawa placement fees.

Details of the carrying value of the $3,500,000 loan are as follows:

Face value of the loan	$	3,500,000
Financing costs		(432,893)
Carrying value - December 9, 2015		3,067,107
Accretion expense		33,242
Carrying value – December 31, 2015		3,100,349
Accretion expense		140,339
Interest paid against accretion expense		(106,167)
Carrying value – March 31, 2016	$	3,134,521

(Expressed in US Dollars unless otherwise stated)

15. Deferred Revenue

The Company acquired $1,110,089 of deferred revenue upon the completion of acquisition of the Integrity Companies on July 20, 2015. Deferred revenue relates to a revenue sharing agreement dated September 30, 2013 (the "CNO Agreement"), between Integrity Companies and a third party ("CNO"). Pursuant to the CNO Agreement, CNO advanced to the Integrity Companies $1,500,000 of cash for placement fees and Integrity Companies contributed slot machines and a lease revenue contract with a federally-recognized Tribe in Northwestern Oklahoma which allows the Integrity Companies to place gaming machines in its casinos. Upon closing of the CNO Agreement, the Integrity Companies recognized deferred revenue of $1,500,000 representing the fair value of the revenue stream given up to CNO in exchange for CNO's cash contribution of $1,500,000 for placement fees. Deferred revenue is amortized to leasing revenue over the casino lease term**.**

The summary of deferred revenue is as follows:

		March 31, 2016		December 31, 2015
Beginning balance	$	993,113	$	-
Acquisition of Integrity Companies		-		1,110,089
Amortization		(67,164)		(116,976)
Carrying value		925,949		993,113
Less current portion		(268,656)		(268,656)
Non-current portion	$	657,293	$	724,457

16. Promissory Note Payable

As part of consideration paid by the Company for the acquisition of Windy Hill, the Company issued to the former partners of Windy Hill unsecured promissory notes with a total face value of $1,500,000. The promissory notes bear a 10% annual interest rate and are repayable in 11 equal quarterly payments of $162,583 commencing on November 30, 2014 and ending on the maturity date of May 9, 2017. The fair value of the promissory notes on the date of acquisition was determined to be of $1,381,450 using the Company's effective interest rate estimated to be 15%. The loan discount and interest are accreted over the term of the Promissory Notes. Current period accretion expense on the promissory notes was $30,467 (March 31, 2015 - $47,944).

As of March 31, 2016, the principal and accrued interest on the promissory notes was $737,972 (December 31, 2015 - $870,088).

		March 31, 2016		December 31, 2015
Face value of the promissory notes	$	1,500,000	$	1,500,000
Discount to fair value		(118,550)		(118,550)
Fair value on May 9, 2014		1,381,450		1,381,450
Cumulative loan repayments		(975,498)		(812,915)
Cumulative accretion expense		332,020		301,553
Carrying value		737,972		870,088
Less current portion		(596,720)		(582,121)
Non-current portion	$	141,252	$	287,967

17. Convertible Debentures Payable

a) May 9, 2014 Convertible Debentures

On May 9, 2014, the Company issued 7,732 convertible debentures at a price of $1,000 per convertible debenture for an aggregate of $7,732,000 principal amount of secured convertible debentures (the "**Convertible Debentures**"). The Convertible Debentures bear interest at an annual rate of 11% payable quarterly on March 31, June 30, September 30 and December 31 in each year commencing on September 30, 2014. The maturity date of the Convertible Debentures is March 31, 2017 ("**Maturity Date**"). Each Convertible Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of C$0.33 (the "**Conversion Price**").

During the three months ended March 31, 2016, accretion expense on the Convertible Debentures was $361,881 (March 31, 2015 - $300,200). During the three months ended March 31, 2016, the Company paid $212,630 (March 31, 2015 - $212,630) in interest. Interest is paid on quarterly basis.

18. 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.

In order to meet one of the conditions necessary for the Company to qualify as a mutual fund corporation under the Canadian Income Tax Act, shareholders will be entitled to require the Company to redeem the shares at fair value. These instruments have been analyzed under the appropriate accounting standards and are presented as equity.

Subsequent to March 31, 2016, 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 condensed interim consolidated financial statements and notes thereto are still on a pre-consolidation basis.

(Expressed in US Dollars unless otherwise stated)

18. Shareholders' Equity - *Continued*

b) Share Capital Transactions

There were no share capital transactions during the three months ended March 31, 2016.

c) Stock Options

Prior to May 19, 2015, the Company had a "rolling" stock option plan, pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company was reserved for issuance as options and which would be granted at the discretion of the Company's Board of Directors. 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 33,000,000 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.

The following is a summary of stock options:

December 31, 2015	Granted	Exercised	Forfeited	March 31, 2016	Weighted Average Exercise Price	Expiry Date
400,000	-	-	-	400,000	C$0.30	Oct 10, 2017
9,950,000	-	-	-	9,950,000	C$0.25	May 9, 2019
1,350,000	-	-	-	1,350,000	C$0.10	May 4, 2020
850,000	-	-	-	850,000	C$0.10	May 27, 2020
2,000,000	-	-	-	2,000,000	C$0.085	July 20, 2020
1,250,000	-	-	-	1,250,000	C$0.085	July 20, 2025
15,800,000	-	-	-	15,800,000	C$0.20	

During the three months ended March 31, 2016, the Company recorded share-based compensation expense of $56,467 (March 31, 2015 - $98,773). As of March 31, 2016, 8,302,500 (December 31, 2015 – 8,115,000) stock options were fully vested with a weighted average exercise price of C$0.20 (December 31, 2015 – C$0.21).

d) Share Purchase Warrants

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

December 31, 2015	Granted	Exercised	Forfeited	March 31, 2016	Weighted Average Exercise Price	Expiry Date
3,101,560	-	-	-	3,101,560	C$0.25	May 9, 2016
3,286,380	-	-	-	3,286,380	C$0.07	July 20, 2017
6,387,940	-	-	-	6,387,940	C$0.16	

18. 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 25,000,000 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.

On August 25, 2015, the Company granted 10,000,000 RSUs to its directors, officers and employees with the following terms and conditions:

(i) These RSUs vest at the later of (a) December 31, 2016; and (b) the date upon which the relevant performance condition or other vesting conditions set out below have been satisfied
   a. 50% of the RSUs granted shall vest upon the achievement of publicly reported Adjusted EBITDA in excess of U$12,000,000 for any twelve month period;
   b. 50% of the RSUs granted shall vest upon the retirement of the May 9, 2014 U$7,732,000 Senior Convertible Debentures through refinancing, conversion, replacement with new Debentures, or retirement at maturity;

(ii) Unvested RSUs will expire on December 31, 2018; and

(iii) The Company has the option to settle the RSUs upon vesting in either common shares of the Company or in cash.

The fair value of the RSUs on the date of grant was estimated at $376,053 using the Company's closing stock price on the date when the Board of Directors, shareholders and regulatory approvals were received. 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, 2016, the Company recorded a $48,253 (March 31, 2015 - $Nil) stock based compensation expense related to the RSUs. As of March 31, 2016, 10,000,000 RSUs were outstanding (December 31, 2015 – 10,000,000).

f) Escrow Shares

As of March 31, 2016, 46,152,916 (December 31, 2015 – 51,461,249) common shares of the Company were held in escrow. 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.

(Expressed in US Dollars unless otherwise stated)

18. Shareholders' Equity – *Continued*

g) Reserves

	Reserves ($)				
	Acquisition of non-controlling interest	Options	Warrants	RSUs	Total
Balance – December 31, 2015	(1,624,105)	1,185,316	411,123	72,547	44,881
Stock based compensation – stock options *(Note 18c)*	-	56,467	-	-	56,467
Stock based compensation – RSUs *(Note 18e)*		-	-	48,253	48,253
Balance – March 31, 2016	(1,624,105)	1,241,783	411,123	120,800	149,601

19. Operating Leases 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.

Contingent rents recognized during the three months ended March 31, 2016 were $2,197,906 (March 31, 2015 - $539,540) and leasing revenue from the finance lease receivable was $823,013 (March 31, 2015 - $116,548) for a total leasing revenue of $3,020,919 (March 31, 2015 - $656,088).

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, 2016, the Company was generating leasing revenue from approximately 2,491 gaming machines (December 31, 2015 – 2,428 gaming machines).

20. 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 reporting period:

	2016	2015
Beginning of period	345,489,260	130,942,197
Share issuance	-	-
Weighted average number of common shares – basic	345,489,260	130,942,197
RSUs issued	10,000,000	-
Weighted average number of common shares – diluted	355,489,260	130,942,197

(Expressed in US Dollars unless otherwise stated)

21. Related Party Transactions

Related party transactions and balances are as follows:

(a) During the three months ended March 31, 2016, the Company recorded $303,090 (March 31, 2015 - $129,718) of management salaries and bonuses for the Company's directors and officers.

(b) As of March 31, 2016, included in accounts payable and accrued liabilities is $371,401 (December 31, 2015 - $272,000) of accrued management bonus payable. 2016 management bonus is contingent upon meeting certain performance criteria.

(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 December 31, 2015, 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, 2016		March 31, 2015
Management salaries and bonuses	$	303,090	$	129,718
Stock based compensation - options		47,864		98,773
Stock based compensation - RSUs		41,015		-
	$	391,969	$	228,491

(g) 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 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.

(Expressed in US Dollars unless otherwise stated)

22. Non-Cash Investing and Financing Transactions

Non-cash investing and financing activities for the three months ended March 31, 2016 and 2015 are as follows:

		2016		2015
Equipment purchases included in accounts payable	$	83,500	$	836,422
Equipment purchases included in finance lease receivable financed by loans payable	$	-	$	3,960,800
Equipment purchases financed by loans payable	$	179,456	$	-
Share issuance costs in accounts payable	$	5,444	$	-

23. 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.

24. 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 convertible loans. 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.

(Expressed in US Dollars unless otherwise stated)

25. Financial Instruments

a) Categories of Financial Assets and Liabilities

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

		March 31, 2016		December 31, 2015
Loans and receivables (i)	$	4,428,285	$	4,763,686
Other financial liabilities (ii)	$	25,242,606	$	27,061,440

(i) Financial instruments classified as loans and receivables consist of cash and cash equivalents, accounts receivable and loans receivable

(ii) Financial instruments classified as other financial liabilities consist of accounts payable, accrued liabilities, the May 2014 convertible debentures payable, promissory notes payable, loans payable and earn-out payable

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

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 receivable, the May 2014 convertible debentures payable, 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 certain financial risks. These risks did not change since December 31, 2015. For further details please refer to Note 25 of the annual consolidated financial statements of the Company for the year ended December 31, 2015.

(Expressed in US Dollars unless otherwise stated)

25. Financial Instruments - *Continued*

c) Management of Risks Arising from Financial Instruments - *Continued*

The following table summarizes amounts and maturity dates of the Company's contractual obligations as of March 31, 2016:

	2016 $	2017 $	2018 $	2019 $	Total $
Accounts payable and accrued liabilities	2,623,153	-	-	-	2,623,153
Equipment loans payable	7,603,544	5,616,632	2,242,636	1,472,499	16,935,311
Promissory notes payable	487,749	325,167	-	-	812,916
Convertible debentures *	637,890	7,944,630	-	-	8,582,520
Office and warehouse leases	45,675	21,200	13,500	-	80,375
	11,398,011	13,907,629	2,256,136	1,472,499	29,034,275

* 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.

26. Major Customers and Concentration of Risk

As of March 31, 2016, the Company had receivables from three customers representing 56% (December 31, 2015 – three customers representing 74%) of total trade receivables.

The following table summarized concentration of revenue for the three months ended March 31, 2016 and 2015:

	March 31, 2016		March 31, 2015	
	$	% of total revenue	$	% of total revenue
Revenue from customer A	863,049	23%	104,322	16%
Revenue from customer B	212,549	6%	156,181	24%
Revenue from customer C	1,033,238	27%	395,586	60%

A failure of a large customer would have a significant effect on the Company's results of operations.

(Expressed in US Dollars unless otherwise stated)

27. Nature of Expenses

The following schedule presents additional information on selected expenses for three months ended March 31, 2016 and 2015.

	2016	2015
Operating expenses:		
Advertising and promotion	$ 26,775	$ -
Bad debt recovery	(10,925)	-
Depreciation of equipment	888,132	217,262
Amortization of equipment placement fees	443,148	72,355
Equipment maintenance	164,583	117,928
Gaming commission fees	30,749	20,558
Travel and other expenses	69,852	21,960
	$ 1,612,314	$ 450,063
General and administrative expenses:		
Consulting	$ 71,967	$ 29,168
Investor relations	25,682	48,418
Salaries and benefits	1,006,617	172,529
Office and administration	245,294	28,710
Professional fees	43,385	207,444
Stock based compensation	104,720	98,773
Listing, filing and transfer agent	23,036	9,722
	$ 1,520,701	$ 594,764
Financing costs:		
Accretion expense on promissory notes	$ 30,467	$ 47,944
Accretion expense on convertible debentures	361,881	300,200
Accretion expense on loans payable	140,339	-
Financing costs	14,560	33,847
Interest expense	200,898	4,652
	$ 748,145	$ 386,643

28. Income Taxes

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

During the period ended March 31, 2016, the Company recorded $131,960 (March 31, 2015 - $Nil) of deferred income tax expense related to the decrease in available tax losses carryforwards due to applying past tax losses against current period taxable income in the USA and Canada. The Company regularly evaluates its deferred tax position and recognized available deferred tax asset to the extent they can be utilized to offset deferred tax liabilities.

29. Subsequent Events

a) Share Capital Consolidation

Subsequent to March 31, 2016, on May 2, 2016, the Company completed a 10 for 1 share capital consolidation. Unless otherwise indicated, all information disclosed in these condensed interim consolidated financial statements is on pre-consolidation basis.

b) Stock Options

On May 4, 2016, the Company granted 4,200,000 (420,000 post-consolidation) stock options to its directors and employees. These stock options can be exercised at the price of C$0.048 (C$0.48 post-consolidation) per share until May 4, 2021.

c) RSUs

On April 26, 2016, the Company granted 8,800,000 (880,000 post-consolidation) RSUs to its directors, officers and employees. These RSUs vest at the later of (a) April 30, 2017 and (b) the date upon which the Company achieves Adjusted EBITDA in excess of U$14,000,000 for any four consecutive quarters. Unvested RSUs will expire on April 30, 2019. The Company has the option to settle the RSUs upon vesting in either common shares of the Company or in cash.