



Poydras Gaming Finance Corp.

Management Discussion and Analysis

For the Three and Nine Months Ended September 30, 2017

The following management discussion and analysis (the “MD&A”), prepared as of November 17, 2017 should be read together with the unaudited interim consolidated financial statements for the nine months ended September 30, 2017 and related notes attached thereto (the “Interim Financial Statements”), which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The reader should also refer to the audited consolidated financial statements for the year ended December 31, 2016 filed on SEDAR. All amounts are stated in US dollars unless otherwise indicated.

Additional information related to the Company is available for view on the Company’s website at www.poydrasgaming.com and on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company’s future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These forward-looking statements include statements regarding the timing and amount of estimated future cash flows, capital expenditures, currency fluctuations and the requirements of future capital. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability and reasonable terms to finance the Company;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; and
- the ability to attract and retain skilled staff

These forward-looking statements involve risks and uncertainties relating to, among other things, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company’s forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.**

Description of Business

Poydras Gaming Finance Corp. (on consolidated basis the “Company” or “Poydras”) (TSX-V: PYD) is a regional slot route operator, providing capital and gaming machines to casino operators and vendors in the United States. The Company is focused on leasing and distributing slot machines, electronic table games, and casino and bingo equipment and supplies, often in concert with additional capital for related facility development or renovation. A gaming lease is also known in industry parlance as a “placement agreement” or a “placement” and also sometimes called a “route” when it describes gaming machines placed across several locations. 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. Poydras' U.S. headquarters are in Mill Valley, California. 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 was founded by a team of experienced industry investors and operators, and its various subsidiaries have been in operation for 20 years. On July 20, 2015, Poydras acquired Integrity Gaming, Inc. ("**Integrity Gaming**"), Aurora Gaming, Inc. ("**Aurora Gaming**"), and Integrity Gaming of Kansas, Inc. ("**Kansas**"), (together the "**Integrity Companies**"). Founded in 1997, the Integrity Companies are a leading provider of slot machines to Native American-owned casinos in Oklahoma and Texas. Bolstered by the acquisition of the Integrity Companies, Poydras has become one of the largest independent gaming equipment and bingo supply distributors in the tribal gaming market.

Slot Route Operations

Poydras' core business is that of a large regional slot route operator and leader in the Tribal gaming market with approximately 2,614 revenue-generating machines across 30 casinos in Oklahoma and Texas. This business is based on a participation-based leasing model that is prevalent in Native American casino gaming markets such as Oklahoma. Under this model, gaming machine suppliers such as Poydras provide casino operators with gaming machines for a share of the revenue generated by those machines. In many cases, Tribal gaming operators enter into machine placement agreements on a long-term basis with favorable economic provisions to the equipment supplier, in exchange for an upfront advance of capital either as a one-time fee or as a loan, which is used to fund renovation or development costs associated with the gaming facility where the machines are placed. From the perspective of the Company, the advance of funds is an attractive use of capital because it (i) establishes a placement of the gaming machine for substantially all of its useful life, (ii) supports increased returns on the gaming machines by improving the casino facility that is housing the equipment, and (iii) may grant the Company an option or right of first refusal to supply additional gaming machines. Typical transaction economics generally provide for a two to three year payback of capital against a term of five to seven years. Though all contracts currently held by Poydras are in Oklahoma and Texas, the Company continues to evaluate expansion opportunities into other geographies. Poydras also pursues the acquisition of existing placements or routes of gaming machines currently being operated in casinos and other legal gaming venues, through a 'buyout' of existing direct vendor debt or lease contracts from the machine manufacturer or the acquisition of another route operator's gaming machines and contracts.

The Company has distributed gaming machines for a wide range of manufacturers and its current portfolio includes Scientific Games, IGT, Aristocrat, Konami, Aruze, Ainsworth, Everi, AGS, Grand Vision, Gamblit and Bluberi machines.

Casino and Bingo Equipment and Supplies

Poydras' bingo business is comprised primarily of a brick and mortar wholesale business that supplies paper, ink, and related consumables to Tribal and charity bingo operations. The Company also sells bingo products online through its website, BingoShop.com, and table game and poker supplies to Tribal casinos through direct sales and to online customers at PokerShop.com.

Overall Performance

Highlights of activities and results of operations during the three months ended September 30, 2017:

- The Company's revenue increased by 0.1% from \$3,893,546 in Q3 2016 to \$3,898,110 in Q3 2017.
- For the quarter ended September 30, 2017, Poydras recorded a net loss of \$2,022,129 or \$0.06 loss per share.
- For the quarter ended September 30, 2017, Poydras' Adjusted EBITDA was \$2,385,936.
- As at September 30, 2017, Poydras had total assets of \$33,642,221 consisting of \$5,711,382 of current assets and \$27,930,839 of non-current assets.
- As at September 30, 2017, Poydras had total liabilities of \$31,101,770 consisting of \$6,661,239 of current liabilities and \$24,440,531 of non-current liabilities.
- As of September 30, 2017, Poydras had participating interests in approximately 2,614 revenue generating machines.

The Company expects to continue to add to its revenues from both new and existing contracts. The Company is also taking steps to evaluate expansion opportunities into other geographies beyond the Oklahoma and Texas markets.

Key Performance Indicators

Key performance indicators that Poydras uses to manage its business and evaluate its financial results and operating performance include: revenue, revenue per gaming machine, expenses, net income (loss) and Adjusted EBITDA. Poydras evaluates its performance on these metrics by comparing its actual results to management budgets and forecasts.

Non-IFRS Measures

Adjusted EBITDA is a financial measure that does not have a standardized meaning under IFRS. Adjusted EBITDA is defined as earnings before financing costs, income taxes, depreciation, amortization, stock based compensation, unrealized foreign exchange, impairment of loans receivable, impairment of placement fees, gain/loss on settlement of debt, gain/loss on disposal of assets, gain/loss on disposal of BitBoss, finance lease receivable reduction, revaluation adjustment of earn-out liability, revaluation loss on investment in A&W JV, employee separation fees and non-recurring costs. In addition, to arrive at the Adjusted EBITDA, the Company was adjusting its earnings for its 50% share of the above mentioned income/expense and gain/loss categories that are included in the Company's income from equity accounted investees up to the date of the acquisition of the A&W JV.

During the current quarter, the Company modified its definition of Adjusted EBITDA by adjusting its earnings by employee separation fees. The Company believes that to measure the Company's core business performance and liquidity, and to measure its ability to purchase additional machines, it is important to include this adjustment in determination of Adjusted EBITDA.

As there is no standardized method of calculating Adjusted EBITDA, it may not be directly comparable with similarly titled measures used by other companies. The Company considers Adjusted EBITDA to be a relevant indicator for measuring trends in performance and its ability to generate funds to service its debt and to meet its future working capital and capital expenditure requirements. Adjusted EBITDA is not a generally accepted earnings measure and should not be considered in isolation or as an alternative to net income (loss), cash flows or other measures of performance prepared in accordance with IFRS.

Adjusted EBITDA and reconciliation to net income (loss) is as follows:

	Q3 2017 (\$)	Q2 2017 (\$)	Q1 2017 (\$)	Q4 2016 (\$)	Q3 2016 (\$)	Q2 2016 (\$)
Net Income (loss)	(2,022,129)	(1,382,586)	(1,167,084)	(2,935,028)	(2,918,891)	(946,103)
Adjustments:						
Depreciation of equipment	1,599,168	1,525,644	1,390,548	1,074,475	1,024,513	954,638
Amortization of placement fees	424,863	449,658	449,658	533,904	524,449	443,148
Amortization of intangible assets	200,642	199,576	198,775	218,337	223,772	217,395
Income tax expense (recovery)	98,199	-	-	(119,904)	(357,883)	(498,427)
Finance lease receivable reduction	538,231	308,392	467,486	513,064	664,490	501,599
Financing costs	1,163,893	1,145,358	1,140,346	1,153,146	2,170,864	898,576
Foreign exchange (gain) loss	1,948	(196)	8,466	745	(97,863)	(47,175)
Impairment of placement fees	-	-	-	1,732,152	-	-
Impairment (recovery) of loan receivable	-	-	-	-	(85,000)	28,505
Gain on settlement of debt	(580)	224	(28,380)	-	(110,487)	-
Loss (gain) on disposal of assets	(990)	(23,200)	(64,500)	12,750	-	65,858
Loss (gain) on disposal of BitBoss	-	-	(43,712)	-	-	-
Revaluation of earn-out liability	-	-	-	30,000	450,000	-
Revaluation loss on investment in A&W JV	-	-	-	-	588,317	-
Stock based compensation	92,691	116,416	92,919	102,272	207,210	206,177
Employee separation fees	290,000	-	-	-	-	-
A&W JV EBITDA adjustments at 50% interest:						
Depreciation of equipment	-	-	-	-	69,254	172,113
Amortization of placement fees	-	-	-	-	4,728	10,416
Interest expense	-	-	-	-	6,076	18,178
Loss (gain) on disposal of assets	-	-	-	-	-	(36,741)
Adjusted EBITDA	2,385,936	2,339,286	2,444,522	2,315,913	2,363,549	1,988,157

The Company's Adjusted EBITDA increased by \$46,650 from \$2,339,286 in Q2 to \$2,385,938 in Q3 2017. The increase in Adjusted EBITDA is mainly due to decrease in general and administrative costs.

Results of Operations

Nine months ended September 30, 2017 ("2017") compared with nine months ended September 30, 2016 ("2016")

Net loss for 2017 was \$4,571,799 or \$0.13 loss per share compared to \$3,523,732 net loss or \$0.10 loss per share in 2016. The main reasons for the increase in net loss of the period are increase in operating expenses by approximately \$1,932,000 (mostly depreciation expense), increase in foreign exchange loss by approximately \$567,000, decrease in revaluation of earn-out liability by \$149,000, decrease in deferred income tax recovery by approximately \$743,000, decrease in gain on settlement of debt by approximately \$82,000, offset by decrease in general and administrative expenses by \$469,000, decrease in financing costs by approximately \$368,000, and increase in gain on disposal of assets by approximately \$193,000.

Significant differences between 2017 and 2016 results of operations are as follows:

Revenue

2017 leasing revenue through September 30 was \$10,500,498 (2016 - \$8,968,056). The increase in revenue was mainly due to generating leasing revenue from an average of 2,587 gaming machines in 2017 as compared to an average of 2,473 gaming machines in 2016. The increase in the number of machines is mainly

due to the acquisition of A&W JV on August 11, 2016 with its interest in approximately 380 revenue generating machines. The Company also generated revenues from bingo sales of \$1,805,533 (2016 - \$2,006,804).

Income from Equity Accounted Investees

Income from equity-accounted investees was \$Nil (2016 - \$580,014). This revenue represents the Company's 50% share of net income from the operations of A&W JV. On August 11, 2016, the Company completed its acquisition of the remaining 50% interest in A&W JV, therefore the Company will not be recording income from equity accounted investees after August 11, 2016.

Operating Expenses

Operating expenses for 2017 were \$7,078,491 (2016 - \$5,146,196). The increase in expenses is related to the increase in revenue and increase in the number of gaming machines to be serviced and depreciated. Major components of the operating costs were advertising and promotion of \$101,482 (2016 - \$107,650), bad debt recovery of \$2,185 (2016 - \$5,491), depreciation of gaming machines of \$4,515,360 (2016 - \$2,867,283), amortization of equipment placement fees of \$1,324,179 (2016 - \$1,410,745), equipment service fees and replacement parts of \$670,853 (2016 - \$506,911), gaming commission fees of \$243,725 (2016 - \$82,279) and travel of \$225,077 (2016 - \$176,819).

General and Administrative Expenses

General and administrative expenses for 2017 were \$4,591,673 (2016 - \$5,061,066). Major components of general and administrative costs were consulting expenses of \$25,316 (2016 - \$129,153), investor relations expenses of \$80,115 (2016 - \$73,218), salaries and benefits of \$3,177,334 (2016 - \$3,165,004), office and administration of \$653,325 (2016 - \$799,542), professional fees of \$317,202 (2016 - \$329,940), stock based compensation of \$302,026 (2016 - \$518,107) and listing, filing and transfer agent fees of \$36,355 (2016 - \$46,102).

Amortization of Intangible Assets

Amortization of intangible assets for 2017 was \$598,993 (2016 - \$657,228). The Company recognized intangible assets on May 9, 2014, on July 20, 2015 and on August 11, 2016 as a result of the acquisitions of Windy Hill, Integrity Companies and the remaining 50% interest in A&W JV, respectively.

Financing Costs

Financing costs for 2017 were \$3,449,597 (2016 - \$3,817,585). The decrease in financing costs was mainly due to the accretion of loans payable and interest expense on equipment loans. Accretion expense is realized as the loans approach maturity. Interest expense decreased due to a decrease in vendor financed equipment loans payable, in favor of the MGG loan payable that is subject to accretion expense. Significant components of the financing costs were accretion expense on convertible debentures of \$Nil (2016 - \$1,411,911), accretion expense on promissory notes payable of \$28,798 (2016 - \$76,771), accretion expense on financing loans payable of \$3,223,799 (2016 - \$1,376,174), interest expense of \$1,636 (2016 - \$520,305), and financing costs of \$195,364 (2016 - \$432,424).

Accretion expense consists of interest expense and a portion of financing costs that were initially deferred and charged against the loan balance and are now expensed over the term of the loan. For the nine months ended September 30, 2017, actual interest expense that was included in the \$3,223,799 of accretion expense was \$2,769,663.

Foreign Exchange Gain/Loss

Foreign exchange loss for 2017 was \$10,218 (2016 gain - \$556,836). Large foreign exchange gains/losses were recorded by the Canadian parent company on translation of the USD denominated \$7,732,000 convertible debentures into its Canadian dollar functional currency. The convertible debentures were repaid and extinguished on September 5, 2016. Given that Company's business is conducted almost exclusively in US dollars with most cash balances held in US dollar denominated accounts, the Company has minimal exposure to foreign exchange rate risk. Foreign exchange gains and losses are thus expected to be small in the future.

Gain on disposal of BitBoss

On January 4, 2017, in connection with a settlement of a portion of its promissory notes payable, 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 (2016 - \$Nil).

Gain on settlement of debt

During 2017, the Company settled debt owed to a vendor, resulting in a \$28,736 (2016 - \$Nil) gain on debt settlement.

Gain (loss) on disposal of assets

Gain on disposal of assets for 2017 was \$88,690 (2016 - \$104,805 loss).

Revaluation of Earn-out Liability

Revaluation of earn-out liability for 2017 was \$Nil (2016 - \$149,000). As of September 30, 2016, the Company adjusted its earn-out liability from \$599,000 as of December 31, 2015 to \$450,000 as of September 30, 2016, resulting in a \$149,000 revaluation adjustment.

Income Taxes

The Company recorded a deferred income tax recovery for 2017 of \$Nil (2016 - \$743,350) related to the reduction in deferred income tax liabilities, and a current income tax expenses for 2017 of \$98,199 (2016 - \$19,000).

Impairment write-down

Impairment write-down for 2017 was \$Nil (2016 - \$56,495 recovery). During the 2016 period, the Company received additional repayments of its loans receivable, which resulted in a \$56,495 recovery of previously recorded impairment losses.

Quarter ended September 30, 2017 ("Q3 2017") compared with the quarter ended September 30, 2016 ("Q3 2016")

Net loss for Q3 2017 was \$2,022,129 or \$0.06 loss per share compared to \$2,918,891 net loss or \$0.08 loss per share in Q3 2016. The main reasons for the decrease in net loss for the period are increase in operating expenses by approximately \$563,000 (mostly depreciation expense), increase in foreign exchange loss by approximately \$100,000, and decrease in deferred income tax recovery by approximately \$377,000, offset by decrease in general and operating expenses by approximately \$205,000, decrease in financing costs by approximately \$1,007,000, and decrease in revaluation of earn-out liability by approximately \$450,000.

Significant differences between Q3 2017 and Q3 2016 results of operations are as follows:

Revenue

Q3 2017 leasing revenue was \$3,294,897 (Q3 2016 - \$3,225,680). The increase in leasing revenue was mainly due to generating revenue from an average of 2,529 gaming machines in Q3 2017 as compared to an average of 2,521 gaming machines in Q3 2016. The Company also generated revenues from bingo sales of \$603,213 (Q3 2016 - \$667,866).

Income from Equity Accounted Investees

Income from equity-accounted investees was \$Nil (Q3 2016 - \$84,516). This revenue represents the Company's 50% share of net income from the operations of A&W JV. On August 11, 2016, the Company completed its acquisition of the remaining 50% interest in A&W JV, therefore the Company will not be recording income from equity accounted investees starting after August 11, 2016.

Operating Expenses

Operating expenses for Q3 2017 were \$2,474,213 (Q3 2016 - \$1,911,488). The increase in operating expenses is related to the increase in revenue and increase in the number of gaming machines to be serviced and depreciated. Major components of the operating costs were advertising and promotion of \$42,755 (Q3 2016 - \$50,431), bad debt recovery of \$15,218 (Q3 2016 expense - \$1,972), depreciation of gaming machines of \$1,599,168 (Q3 2016 - \$1,024,513), amortization of equipment placement fees of \$424,863 (Q3 2016 - \$524,449), equipment service fees and replacement parts of \$238,323 (Q3 2016 - \$229,505), gaming commission fees of \$114,975 (Q3 2016 - \$24,095) and travel of \$69,347 (Q3 2016 - \$56,523).

General and Administrative Expenses

General and administrative expenses for Q3 2017 were \$1,554,085 (Q3 2016 - \$1,759,580). Major components of general and administrative costs were consulting expenses of \$6,676 (Q3 2016 - \$14,347), investor relations expenses of \$30,166 (Q3 2016 - \$20,724), salaries and benefits of \$1,076,831 (Q3 2016 - \$1,068,203), office and administration of \$229,491 (Q3 2016 - \$307,883), professional fees of \$107,637 (Q3 2016 - \$130,403), stock based compensation of \$92,691 (Q3 2016 - \$207,210) and listing, filing and transfer agent fees of \$10,593 (Q3 2016 - \$10,810).

Amortization of Intangible Assets

Amortization of intangible assets for Q3 2017 was \$200,642 (Q3 2016 - \$223,772). The Company recognized intangible assets on May 9, 2014, on July 20, 2015 and on August 11, 2016 as a result of the acquisitions of Windy Hill, Integrity Companies and the remaining 50% interest in A&W JV, respectively.

Financing Costs

Financing costs for Q3 2017 were \$1,163,893 (Q3 2016 - \$2,170,864). The decrease in financing costs was mainly due to the accretion of loans payable and interest expense on equipment loans. Accretion expense is realized as the loans approach maturity. Interest expense decreased due to a decrease in vendor financed equipment loans payable, in favor of the MGG loan payable that is subject to accretion expense. Significant components of the financing costs were: accretion expense on convertible debentures of \$Nil (Q3 2016 - \$680,289), accretion expense on promissory notes payable of \$9,457 (Q3 2016 - \$20,718), accretion expense on financing loans payable of \$1,060,833 (Q3 2016 - \$1,093,910), interest expense of \$455 (Q3 2016 - \$72,643); and financing costs of \$93,148 (Q3 2016 - \$303,304).

Accretion expense consists of interest expense and a portion of financing costs that were initially deferred and charged against the loan balance and are now expensed over the term of the loan. For the 3 months ended September 30, 2017, actual interest expense that was included in the \$1,060,833 of accretion expense was \$911,400.

Foreign Exchange Gain/Loss

Foreign exchange loss for Q3 2017 was \$1,948 (Q3 2016 – \$97,863 gain). Large foreign exchange gains/losses were recorded by the Canadian parent company on translation of the USD denominated \$7,732,000 convertible debentures into its Canadian dollar functional currency. The convertible debentures were repaid and extinguished on September 5, 2016. Given that Company's business is conducted almost exclusively in US dollars with most cash balances held in US dollar denominated accounts, the Company has minimal exposure to foreign exchange rate risk. Foreign exchange gains and losses are thus expected to be small in the future.

Income Taxes

The Company recorded a deferred income tax recovery for Q3 2017 of \$Nil (Q3 2016 - \$376,883) related to the reduction of deferred income tax liabilities, and a current income tax expense of \$98,199 (Q3 2016 - \$19,000).

Impairment write-down

Impairment write-down for Q3 2017 was \$Nil (Q3 2016 - \$85,000 recovery). During Q3 2016, the Company received \$85,000 repayment of its loan receivable #1, which resulted in a recovery of previously recorded

impairment losses on this loan.

Summary of Quarterly Results

The table below summarizes selected unaudited financial data for the Company's last eight quarters. The following information is expressed in USD and is derived from the Company's financial information prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, using accounting policies consistent with IFRS:

	Quarter Ended Sep 30, 2017	Quarter Ended Jun 30, 2017	Quarter Ended Mar 31, 2017	Quarter Ended Dec 31, 2016	Quarter Ended Sep 30, 2016	Quarter Ended Jun 30, 2016	Quarter Ended Mar 31, 2016	Quarter Ended Dec 31, 2015
Total revenue ⁽¹⁾	3,898,110	4,250,547	4,157,374	4,027,458	3,893,546	3,390,891	3,690,423	3,525,411
Avg # machines ⁽¹⁾	2,529	2,583	2,656	2,548	2,521	2,435	2,471	2,330
Net income (loss) ⁽²⁾	(2,022,129)	(1,382,586)	(1,167,084)	(2,935,028)	(2,918,891)	(946,103)	341,262	(981,101)
Comprehensive income (loss) ⁽³⁾	(2,024,253)	(1,387,256)	(1,166,611)	(3,519,424)	(2,971,163)	(998,375)	(95,754)	(695,899)
Basic income (loss) per share ⁽⁴⁾	(0.06)	(0.04)	(0.03)	(0.08)	(0.08)	(0.03)	0.01	(0.03)
Diluted income (loss) per share ⁽⁴⁾	(0.06)	(0.04)	(0.03)	(0.08)	(0.08)	0.03)	0.01	(0.03)

⁽¹⁾ Increase in revenue between quarters is directly related to the increase in the average number ("Avg #") of gaming machines generating revenue in each quarter. The Company's revenue is also subject to seasonal fluctuation.

⁽²⁾ Q1 2016 net income increased compared with Q4 2015 net loss mainly due to recognition of revaluation adjustment of earn-out liability and foreign exchange gain. Q2 2016 net income decreased compared with Q1 2016 net income mainly due to recognition of revaluation adjustment of earn-out liability and foreign exchange gain in Q1 2016, as well as approximately \$300,000 decrease in revenue due to seasonal fluctuation and temporary removal of 145 machines across two casinos in May 2016, which were redeployed in other revenue-generating casinos in Q3 2016. Q3 2016 net loss decreased compared with Q2 2016 net loss mainly due to recognition of revaluation adjustment of earn-out liability and revaluation of investment in A&W JV in Q3 2016, and approximately \$952,000 increase in accretion expense on financing loan payable in Q3 2016. Q4 2016 net loss increased compared with Q3 2016 net loss mainly due to recognition of \$1,732,152 impairment of placement fees related to the placement of 220 machines at a new casino. Decrease in net loss from Q4 2016 to Q1 2017 is mainly due to recognition of \$1,732,152 impairment of placement fees in Q4 2016, as compared with \$Nil in Q1 2017. Q2 2017 net loss increased compared with Q1 2017 net loss mainly due to increase in depreciation expense by \$135,096, decrease in gain on disposal of assets by \$41,300 and recognizing \$43,712 of gain on disposal of BitBoss in Q1 2017 compared with \$Nil in Q2 2017. Increase in net loss from Q2 2017 to Q3 2017 is mainly due to decrease in total revenue by \$352,437, increase in operating expense by \$138,418, and increase in income tax expense by \$98,199.

⁽³⁾ Changes in comprehensive loss reflect the changes in net loss for each quarter plus the impact of foreign currency translation from Canadian functional currency to USD presentation currency of the Canadian parent company.

⁽⁴⁾ Basic and diluted loss per share fluctuates from period to period and is impacted by the amount of loss incurred and the number of weighted average number of common shares outstanding.

Liquidity and Capital Resources

To date, the Company has financed its operations through debt, equity and internally generated cash flows from leasing revenue.

Recent Financing

On July 29, 2016, the Company completed a financing arrangement with MGG, consisting of a five-year term loan facility in the aggregate principal amount of \$30,525,000, at an initial rate of LIBOR plus 11.50% which steps down as the Company deleverages. Commencing in January 2017, the Company makes quarterly loan

principal payments of \$763,125, and in January 2017, the Company also prepaid additional \$250,000. As of September 30, 2017, the carrying value of the MGG loan is \$27,985,625.

Cash

As of September 30, 2017, Poydras had cash of \$1,036,345, compared with \$3,371,341 of cash on December 31, 2016. The decrease in cash is mainly due to approximately \$2,584,340 of loan principal payments made in 2017.

Cash Used in / Generated from Operating Activities

Cash generated from operating activities during the nine months ended September 30, 2017 was \$970,450, compared with \$918,656 cash generated from operating activities during the nine months ended September 30, 2016. Cash generated in operating activities during the nine months ended September 30, 2017 consisted of (i) \$2,425,170 of cash generated from revenue net of operating, general and administrative, regulatory compliance and professional fees and (ii) \$1,454,720 decrease in cash due to increased non-cash current working capital.

Cash generated from operating activities during the nine months ended September 30, 2016 consisted of (i) \$1,324,023 of cash generated from operating, general and administrative, regulatory compliance and professional fees, net of cash collected from customers and (ii) \$405,367 in decreased cash due to decreased non-cash current working capital.

Cash Used in / Generated from Investing Activities

Cash used in investing activities during the nine months ended September 30, 2017 was \$721,106, compared with \$2,828,561 of cash used in investing activities during the nine months ended September 30, 2016. Cash used in investing activities during the nine months ended September 30, 2017 included acquisitions of \$1,815,214 in new gaming equipment, receiving \$1,314,108 under the finance lease receivable, and receiving \$20,000 on disposal of BitBoss IP license, which was offset by making a \$240,000 earn-out payment related to the acquisition of Integrity Companies.

Cash used in investing activities during the nine months ended September 30, 2016 included spending \$1,872,000 on Caddo placement fees, \$1,200 on acquisitions of new gaming equipment, receiving \$122,695 pursuant to financing loans receivable agreements, receiving \$145,138 under the finance lease receivable, receiving \$580,883 of cash distributions from A&W joint venture, investing \$50,000 to acquire an IP license from BitBoss, and spending \$1,754,077 on acquisition of A&W JV (net of \$43,414 of cash acquired).

Cash Used in / Generated from Financing Activities

Cash used in financing activities during the nine months ended September 30, 2017 was \$2,584,340 compared with \$2,177,421 of cash generated from financing activities during the nine months ended September 30, 2016. Cash used in financing activities during the nine months ended September 30, 2017 included principal repayment of \$2,584,340 on loans.

Cash generated from financing activities during the nine months ended September 30, 2016 included net proceeds of \$10,344,289 from loans payable (net of repayment of loans using proceeds from MGG loan financing), principal repayment of \$434,868 on promissory notes payable, and \$7,732,000 of early redemption of convertible debentures.

Working Capital

At September 30, 2017, Poydras had a working capital deficiency of \$949,857 compared with \$484,764 working capital as of December 31, 2016.

Recent Financings - Use of Proceeds

Financing	Purpose of the Financing	Actual Use of Proceeds
July 29, 2016 MGG loan financing of \$30,525,000	To pay approximately \$1.5 million of financing costs, to repay \$7.7 million convertible debentures and approximately \$12.9 million of loans payable (including the PDS loans), to complete the acquisition of A&W JV for approximately \$1.8 million, to repay A&W JV's loans of approximately \$1.5 million, to use approximately \$3 million to purchase equipment and to finance placement fees for a new revenue contract for 234 machines, for general working capital purposes, and to fund additional growth.	The Company used MGG loan proceeds as intended.

Liquidity Outlook

Poydras' cash position varies based on the performance of the Company's investments and reinvestment of capital into the growth of the business. The Company continues to place additional machines in various casino facilities in Oklahoma and Texas. These new placements are expected to positively impact the Company's revenue and operating cash flow in future periods.

Poydras' objective when managing capital is to maximize returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Poydras is not subject to externally imposed capital requirements. In managing the Company's capital structure, Poydras' management reviews monthly or quarterly financial information and provides regular reports to the board of directors.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions between Related Parties

As of September 30, 2017, the Company's related parties and key management personnel consists of the Company's directors and executive officers.

Name / Personal Corporation	Relationship	Nature of Transaction
Peter Macy	Director and CEO	Management salaries, RSUs and stock based compensation
Daniel Davila	Director and President	Management salaries, RSUs and stock based compensation
Matthew Dickson	Former EVP Operations and former Corporate Secretary	Management salaries, RSUs and stock based compensation
Adam Kniec	CFO	Management salaries, RSUs and stock based compensation
Prakash Hariharan	Director	Stock based compensation
Robert Miodunski	Director	Director's fees and stock based compensation
Kim Oishi	Director	Director's fees and stock based compensation
David Danziger	Director	Director's fees and stock based compensation
James Kim	VP Corporate Development and Corporate Secretary	Management salaries, RSUs and stock based compensation

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 September 30, 2017, 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	September 30, 2017	September 30, 2016
Management salaries and bonuses	\$ 1,058,223	\$ 875,288
Directors' fees	12,800	84,600
Stock based compensation – options	70,886	177,761
Stock based compensation – RSUs	162,923	248,461
	<u>\$ 1,304,832</u>	<u>\$ 1,386,110</u>

- (a) During the period ended September 30, 2017, the Company recorded \$1,058,223 (September 30, 2016 - \$875,288) of management salaries and accrual of bonuses for the Company's directors and officers and \$12,800 (September 30, 2016 - \$84,600) of directors' fees for the Company's directors. Current period management salary expense includes \$290,000 accrual of employee separation fees payable to a former officer of the Company.
- (b) As of September 30, 2017, included in accounts payable and accrued liabilities are \$46,360 (December 31, 2016 - \$48,000) of accrued management bonus payable, \$Nil (December 31, 2016 - \$6,400) of accrued directors' fees payable, \$24,548 management salary payable (December 31, 2016 - \$Nil) and \$290,000 employee separation fees payable (December 31, 2016 - \$Nil).

(c) Commitments

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.

Critical Accounting Estimates and Use of Judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported years.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Change in critical accounting estimates and assumptions made by management may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates include, among others, the useful life and recoverability of property and equipment, the valuation of deferred income tax assets, the classification of leases, amortization of placement fees, and the valuation of intangible assets and goodwill.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting policies which involve judgments or assessments made by management include accounting for the acquisition of A&W JV and the Integrity Companies, accounting for leases from equipment manufacturers and leases to casinos, as well as determination of the going concern assumption.

The recoverable amounts of CGUs and individual assets have been determined based on the higher of fair value less costs to sell or value-in-use calculations. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated residual value of equipment, expected financing revenue from leasing of the equipment and future operating and financing costs. Changes to these assumptions will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

Impairment of Non-Financial Assets

The recoverable amount of non-financial assets such as gaming equipment, placement fees, intangible assets and goodwill have been determined based on the higher of fair value less costs to sell or value-in-use calculations. The key assumptions Poydras uses in estimating future cash flows for recoverable amounts of gaming equipment are anticipated residual value of equipment, estimated useful life of equipment, expected financing revenue from leasing of the equipment and future operating and financing costs. The key assumptions Poydras uses in estimating future cash flows for recoverable amounts of other non-financial assets include performance of existing leasing contracts, growth levels experienced in the past, estimated new placements, win per unit on machines, revenue share percentages on lease agreements, and historical data related to costs. Changes to these assumptions will affect the recoverable amount of the non-financial assets and may then require a material adjustment to their related carrying value.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives weight to evidence that can be objectively verified.

Recent Accounting Pronouncements

The Company has not adopted any new and revised standard during the period ended September 30, 2017. 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.

IFRS 9 Financial Instruments ("IFRS 9")

The Company will adopt the requirements of IFRS 9 with a date of initial application of January 1, 2018. Adoption of IFRS 9 is not expected to result in significant adjustments to the carrying value of the financial instruments. Based on the initial assessment of the credit risk related to the financial instruments, there has been no significant increase in the credit risk since initial recognition of the financial instruments and no additional credit loss is expected to be recorded on the date of the initial application of IFRS 9.

IFRS 15 Revenue From Contracts With Customers ("IFRS 15")

The Company will adopt the requirements of IFRS 15 effective January 1, 2018. Adoption of IFRS 15 is not expected to result in any significant adjustments to the Company's financial statements. The Company has two major types of revenue: (1) leasing of gaming equipment to casinos and (2) sale of bingo supplies and equipment.

Leasing of gaming equipment to casinos is out of scope of IFRS 15 as leases will continue to be accounted for under IAS 17 Leases until IFRS 16 Leases becomes effective for the annual period beginning on January 1, 2019. Impairment of finance leases receivable will also be evaluated under IFRS 9 effective January 1, 2018.

Currently, the Company recognizes bingo revenue when bingo supplies and equipment are delivered to the customers and bingo revenue is measured at the fair value of the consideration received or receivable. IFRS 15 doesn't impact the Company's current recognition policy therefore no adjustments are expected to be made in the Company's financial statements upon adoption of this new accounting pronouncement effective January 1, 2018.

Financial Instruments and Other Instruments

As of September 30, 2017, Poydras' financial instruments consist of cash, accounts receivable, accounts payable, earn-out payable, loans payable and promissory notes payable. The carrying values of cash, accounts receivable and accounts payable and earn-out payable approximate their respective carrying values due to their short-term maturities. The fair value of the loans payable and promissory notes payable approximate their carrying values as at September 30, 2017 because the underlying market rate did not change significantly.

Poydras' risk exposures and the impact on Poydras' financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. During any financial quarter, a small number of customers account for a significant percentage of Poydras' revenue. As a result of its customer concentration, Poydras is subject to credit risk if one or more customers fail to make payments. The Company is continuously monitoring credit quality of loans, finance leases and other receivables and impairment losses are recorded when there is objective evidence that recorded amounts are not fully recoverable.

Liquidity risk

Liquidity risk is the risk that Poydras will not be able to meet its financial obligations as they become due.

The Company's common shares are puttable by the holders at any time for fair value, under certain limited conditions. This can result in unforeseen liquidity constraints on the Company if the shareholders decide to redeem their shares.

Poydras manages liquidity risk through ongoing management and forecasting of cash flows, budgeting, and financings of equity and debt. Cash flow forecasting is performed to monitor cash requirements and inform capital management decisions. Such forecasting takes into account current and potential returns on investments and Poydras' business expansion expectations.

Poydras' approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of September 30, 2017, Poydras had cash of \$1,036,345 which was insufficient to settle current liabilities of \$6,691,239. However, the Company is expecting its revenue to continue to increase as a result of existing and new machine placements. In addition, the Company considers new financing options to increase business growth and to improve liquidity.

The following table summarizes amounts and maturity dates of the Company's contractual obligations as of September 30, 2017:

	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	Total \$
Accounts payable and accrued liabilities *	2,049,391	965,850	293,000	-	-	3,308,241
Earn-out payable	-	240,000	-	-	-	240,000
Loans payable **	1,681,786	6,509,266	6,163,327	5,789,353	19,469,283	39,613,015
Promissory notes payable **	-	327,512	-	-	-	327,512
Office and warehouse leases	17,064	46,642	-	-	-	63,706
	3,748,241	8,089,270	6,456,327	5,789,353	19,469,283	43,552,474

- * Accounts payable and accrued liabilities include trade payables that are part of working capital used in the entity's normal operating cycle, and thus have been classified as current liabilities even when they are due to be settled more than twelve months after the reporting period.
- ** Including future interest expense repayments

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.

Interest rate risk

As of September 30, 2017, Poydras had (i) MGG loan payable of \$26,686,520 with a variable annual interest rate of LIBOR plus 11.50% (effective interest rate of 12.83% as of September 30, 2017), (ii) promissory notes payable with principal and accrued interest of \$282,295 bearing a 14% interest rate and repayable on December 31, 2018, and (iii) a number of vehicle loans payable totaling \$31,842 with maturities between May 9, 2018 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.

Outstanding Share Data

The following table summarizes the maximum number of common shares potentially outstanding as at September 30, 2017 and as of the date of this MD&A if all share purchase options and restricted share units were converted to common shares:

	As of September 30, 2017	As of date of this MD&A
Common shares	35,048,928	35,048,928
Share purchase options	1,920,000	1,920,000
Restricted share units	2,000,000	2,000,000
Fully diluted	38,968,928	38,968,928

Risks and Uncertainties

Details of the risks and uncertainties related to the Company's business are set out in the Company's Short Form Prospectus dated June 24, 2015 under the heading "Risk Factors" which is available on www.SEDAR.com.

Corporate Directory

Trading Symbol – PYD
Exchange - TSX-V

Poydras Gaming Finance Corp.

Suite 1430 - 800 West Pender Street
Vancouver, British Columbia, V6C 2V6

Officers and Directors

Peter Macy - CEO and Director
Daniel Davila - President and Director
David Danziger – Director and non-executive Chairman
Prakash Hariharan - Director
Robert Miodunski - Director
Kim Oishi - Director
Adam Kniec - CFO
James Kim - Vice President of Corporate Development & Corporate Secretary

Audit Committee

Prakash Hariharan (Chairman)
David Danziger
Robert Miodunski

Compensation Committee

Robert Miodunski (Chairman)
Prakash Hariharan
Kim Oishi

Corporate Governance Committee

Kim Oishi (Chairman)
Prakash Hariharan
Peter Macy

Legal Counsel

McMillan LLP
Suite 1500 - 1055 West Georgia Street
Vancouver, BC V6E 4N7
Tel: 604-689-9111
Fax: 604-685-7084

Auditor

KPMG LLP
777 Dunsmuir Street
PO Box 10426 Pacific Centre
Vancouver, BC, V7Y 1K3
Tel: 604-691-3000
Fax: 604-691-3031

Transfer Agent

Computershare
2nd Floor, 510 Burrard Street
Vancouver, BC V6C 3B9
Tel: 604-661-9400
Fax: 604-661-9549