



**MOGO FINANCE TECHNOLOGY INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016**

**DATED: NOVEMBER 09, 2016**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") is current as of November 09, 2016 and presents an analysis of the financial condition of Mogo Finance Technology Inc. and its subsidiaries (collectively referred to as "Mogo" or the "Company") as at and for the quarter and nine months ended September 30, 2016 compared with corresponding periods in the prior year. This MD&A should be read in conjunction with the Company's interim consolidated financial statements and the related notes thereto for the nine-month periods ended September 30, 2016 and 2015, and our annual consolidated financial statements as at and for the year ended December 31, 2015. The financial information presented in this MD&A is derived from our interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").*

*This MD&A is the responsibility of management. Prior to its release, the Company's Board of Directors (the "Board") has approved this MD&A on the Audit Committee's recommendation.*

*Unless otherwise noted or the context indicates otherwise "we", "us", "our", the "Company" or "Mogo" refer to Mogo Finance Technology Inc. and its direct and indirect subsidiaries. The Company presents its consolidated financial statements in Canadian dollars. Amounts in this MD&A are stated in Canadian dollars unless otherwise indicated.*

*This MD&A may refer to trademarks, trade names and material which is subject to copyright, such as "Mogo" and "Mogo Finance Technology", which are protected under applicable intellectual property laws and are the property of Mogo. Solely for convenience, our trademarks, trade names and copyrighted material referred to in this MD&A may appear without the ® or © symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and copyrights. All other trade-marks used in this MD&A are the property of their respective owners.*

*The Company's continuous disclosure materials, including interim filings, audited consolidated financial statements and Annual Information Form can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.mogo.ca](http://www.mogo.ca).*

### Non-IFRS Financial Measures

*This MD&A makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS financial measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS financial measures including, gross loans receivable (short-term and long-term), contribution, contribution margin, adjusted EBITDA, adjusted net income (loss), charge-off rate, average revenue per member, and cash provided by (used in) operating activities before investment in loans receivable, to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. See "Key Performance Indicators" and "Reconciliation of Non-IFRS Financial Measures".*

### Caution Regarding Forward-Looking Statements

*This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's expectations regarding its*



revenue (including loan interest), expenses and operations, key performance indicators, provision for loan losses (net of recoveries), delinquencies ratios, anticipated cash needs and its needs for additional financing, funding costs, ability to extend or refinance any outstanding amounts under the Company's credit facilities, ability to protect, maintain and enforce its intellectual property, plans for and timing of expansion of its solution and services, future growth plans, ability to attract new customers and develop and maintain existing customers, ability to attract and retain personnel, expectations with respect to advancement of its product offering, competitive position and the regulatory environment in which the Company operates, anticipated trends and challenges in the Company's business and the markets in which it operates, third-party claims of infringement or violation of, or other conflicts with, intellectual property rights, the resolution of any legal matters, and the acceptance by the Company's customers and the marketplace of new technologies and solutions.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate. By their very nature, these statements require the Company to make assumptions and are subject to inherent risks and uncertainties, general and specific, which may cause actual results to differ materially from the expectations expressed in the forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on these forward-looking statements.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors that are discussed in greater detail in the "Risk Factors" section of the Company's annual information form dated March 31, 2016 for the year ended December 31, 2015 available at [www.sedar.com](http://www.sedar.com), which risk factors are incorporated herein by reference, including but not limited to risks related to: our limited operating history in an evolving industry; our recent, rapid growth; our history of losses; our efforts to expand our market reach and product portfolio; changes in the regulatory environment; risks related to privacy; economic conditions; material changes to the interest rate charged to our customers and paid to our lenders; disruptions in the credit markets; an increase in customer default rates; our negative operating cash flow; our ability to access additional capital through issuances of equity and debt securities; the concentration of our debt funding sources and our ability to access additional capital from those sources; the financial covenants under our credit facilities; security breaches of customers' confidential information; our ability to collect payment on our loans and maintain accurate accounts; a decline in demand for our loans; our loan products achieving sufficient market acceptance; protecting our intellectual property rights; claims by third parties for alleged infringement of their intellectual property rights; the use of open source software and any failure to comply with the terms of open source licenses; serious errors or defects in our software and attacks or security breaches; the reliability of our credit scoring model; access to reliable third-party data; our risk management efforts; our levels of indebtedness; the adequacy of our allowance for loan losses; our marketing efforts and ability to increase brand awareness; customer complaints and negative publicity; misconduct and/or errors by our employees and third-party service providers; our ability to collect payment on and service the loans we make to our customers; our reliance on data centers to deliver our services and any disruption thereof; competition in our industry; the reliability of information provided by customers; competition for employees; preserving our corporate culture; our ability to utilize a significant portion of our net operating loss carryforwards; risks related to litigation; earthquakes, fire, power outages, flood, and other catastrophic events, and interruption by man-made problems such as terrorism. Although the forward-looking statements contained in this MD&A are based upon what our management believes are reasonable assumptions, these risks, uncertainties, assumptions and other factors could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future event or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this MD&A with the understanding that our actual future results may be materially different from what we expect.

This MD&A may contain Future Oriented Financial Information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by our management to provide an outlook of our activities and results and may not be appropriate for other purposes. The FOFI has been prepared based on a number of assumptions including the assumptions



discussed under the heading "Forward-Looking Statements". The actual results of our operations and the resulting financial results may vary from the amounts set forth herein, and such variation may be material. Our management believes that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments.

## Company Overview

Mogo is a financial technology company building a digital financial brand for the next generation of Canadians by leveraging technology and design to bring a new level of convenience, simplicity and value to consumer financial services. With approximately 292,000 Mogo Members and over 1.48 million loans originated, we are leading the FinTech shift in Canada as consumers begin to move away from traditional banking services towards a frictionless digital experience. We are transforming financial services by building the first digital platform designed to give Canadians convenient and controlled access to a range of financial products that make it easier to stay in control of their financial health. The MogoAccount takes a mobile-first approach, and with one account sign-up in under three minutes, consumers access three solutions to help them get in financial control: a free credit score with free monthly credit score monitoring—the first in Canada available on a mobile app—a free Mogo Platinum Prepaid Visa® Card that serves as a spending account, and an instant decision on a personal loan all with no impact to their credit score.

## Vision and Strategy

Our vision is to become the new face of banking in Canada by building the best digital banking experience, making it easy and engaging for Canadians to get and stay in control of their financial health, all from their mobile phone.

The top 6 Canadian banks made a combined profit of approximately \$35 billion in 2015 and as noted in a recent McKinsey report<sup>(1)</sup> are at risk of losing up to 60% of their retail profits by 2025 to new FinTech companies. EY's recent FinTech adoption survey<sup>(2)</sup> also noted that consumers' adoption of more convenient financial solutions offered by new technology companies continues to grow globally and suggested the adoption rate in Canada could double within the next 12 months from report issuance date.

We believe we have the lead in building a digital financial technology platform and brand in Canada, and our goal is to create a product that adds value and utility to consumers' existing financial wallets—value that they can't get anywhere but Mogo. Our strategy is guided by three main pillars: Product, Platform and Brand. As such, we will continue to focus on investing in each of these elements, which we believe will optimize both long-term profitability and shareholder value.

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(1) Refer to McKinsey report "Cutting through the noise around financial technology" published in February 2016.

(2) Refer to EY FinTech Adoption Index, <http://www.ey.com/GL/en/Industries/Financial-Services/ey-fintech-adoption-index>

### Third Quarter 2016 Financial Highlights and Accomplishments

- Revenue for the third quarter of 2016 was \$12.6 million, a 9% increase from the same period of 2015. Within this, Loan interest and other revenue increased 67% to \$6.4 million in the third quarter of 2016 compared to \$3.8 million in the third quarter of 2015, driven by the success of shifting from short-term loans products to installment loans and line of credit products.
- Gross profit grew 5% to \$7.6 million (60% of revenue) from \$7.2 million (63% of revenue) in the third quarter of 2015.
- Achieved positive adjusted EBITDA<sup>(3)</sup> of \$0.5 million in the third quarter of 2016. This represents the Company's first positive adjusted EBITDA<sup>(3)</sup> since its IPO in 2015 and the fourth consecutive quarter of improvement of adjusted EBITDA<sup>(3)</sup>, and a \$3.7 million year over year improvement compared to (\$3.2) million in the third quarter of 2015. This improvement was driven by continued benefits of increased scale as well as increased operating efficiencies, including an 18% decrease in general and administrative expenses and a 34% decrease in marketing expenses, compared to the second quarter of 2016.
- Net cash flow from operating activities before investment in loans receivable had its third consecutive positive cash inflow in the third quarter of \$2.1 million, with year-to-date cash inflow of \$3.3 million.
- The Company reduced its total use of cash by more than 55% to \$2.0 million in Q3 2016, down from \$4.5 million in Q2 2016. At September 30, 2016, Mogo had \$22.1 million in cash and cash equivalents.
- Gross loans receivable were \$71.0 million as at September 30, 2016, representing a 32% increase compared to \$53.9 million as at September 30, 2015. Within this, gross loans receivable – long-term<sup>(3)</sup> increased by 57% compared to the third quarter of 2015 and represented 81% of the total gross loans receivable, compared to 68% of the total gross loans receivable as at September 30, 2015. This was a result of the Company's continued focus on its long-term loan products.
- Adjusted net loss<sup>(3)</sup> had its fourth consecutive improvement to \$3.3 million in the third quarter of 2016, a 21% improvement compared to \$4.2 million in the second quarter of 2016; and a 44% year over year improvement compared to an adjusted net loss of \$6.0 million in the third quarter of 2015.
- Net loss in the third quarter of 2016 was \$3.6 million, an improvement of \$1.0 million compared to the net loss of \$4.6 million in the second quarter of 2016.

### Third-Quarter Business Highlights

- Launched Mogo's new digital platform including the MogoAccount and iOS app enabling Mogo to deliver what we believe is Canada's first truly digital banking experience.
- Increased Mogo's brand awareness which accelerated our member growth to approximately 292,000 as at September 30, 2016, an 85% increase compared to approximately 158,000 as at September 30, 2015. In October, the company surpassed 300,000 Mogo members, demonstrating accelerating member growth.
- Announced the addition of experienced technology capital markets executive Tom Liston to Mogo's board of directors subsequent to quarter end.

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(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures".



## Outlook

Our near-term strategic priorities are to continue to investing in the 3 key pillars of our strategy; including our digital platform; our brand; and launching new products including our new spending account and the MogoMortgage – strategic initiatives that we believe will continue to drive membership growth, revenue and long-term shareholder value. Each quarter it becomes more clear to us that there will be fundamental shift in how consumers manage their finances, and it will play out over the next 5 to 10 years. The advantages of the digital experience are overwhelming compared to the traditional banking model, and we believe that similar to other industries that have faced digital disruption, the new leaders will be technology led companies offering a significantly enhanced user experience and value proposition that makes it easier for consumers to manage their financial health.

From a financial perspective, the company is carefully managing the growth of its loan portfolio in the near term, while it focuses on introducing new fee-based products that will diversify the company's revenue base and increase its addressable market. Over time, we expect to monetize this growing member base and increase average revenue per member. Mogo reached positive adjusted EBITDA<sup>(3)</sup> in the third quarter, and management continues to focus on driving efficiencies through technology enhancements and the benefits of scale. As we introduce new products and increase our revenue base, we expect to benefit from operating leverage to achieve positive net income and increasing levels of profitability. See "Caution Regarding Forward-Looking Statements".

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(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures".



## Financial Performance Review

The following provides insight on the Company's financial performance by illustrating and providing commentary on its key performance indicators and operating results

### Key Performance Indicators

The key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: Mogo Members, average revenue per member<sup>(3)</sup>, gross loans receivable (short-term and long-term)<sup>(3)</sup>, revenue, gross profit, contribution<sup>(3)</sup>, contribution margin<sup>(3)</sup>, adjusted EBITDA<sup>(3)</sup>, funding interest expense, adjusted net income (loss)<sup>(3)</sup> and charge-off rate<sup>(3)</sup>. We evaluate our performance by comparing our actual results to prior year results.

The tables below provide the summary of key performance indicators for the reported periods:

(\$000s, except percentages and ARPM)

(\$000s, except percentages and ARPM)

	Three months ended September 30		Percentage change	Nine months ended September 30		Percentage change
	2016	2015		2016	2015	
<b>IFRS Measures</b>						
Revenue	\$ 12,612	\$ 11,552	9%	\$ 38,044	\$ 31,022	23%
Gross Profit	7,601	7,221	5%	22,944	19,320	19%
Funding interest expense	1,589	821	94%	4,527	2,247	101%
<b>Non-IFRS Financial Measures</b>						
Contribution <sup>(3)</sup>	4,236	4,006	6%	12,930	10,708	21%
Contribution margin <sup>(3)</sup>	33.6%	34.7%	-	34.0%	34.5%	-
Adjusted EBITDA <sup>(3)</sup>	518	(3,156)	n/a	(963)	(6,244)	(85%)
Adjusted net income (loss) <sup>(3)</sup>	(3,347)	(5,970)	(44%)	(11,995)	(14,306)	(16%)
Charge-off rate <sup>(3)</sup>	23%	23%	-	21%	25%	-
Average revenue per member (ARPM in \$) <sup>(3)</sup>	49	82	(40%)	159	265	(40%)

(\$000s, except percentages and members)

(\$000s, except percentages and members)					As at
	September 30, 2016	September 30, 2015	Percentage Change September 30, 2016 to September 30, 2015	December 31, 2015	Percentage Change September 30, 2016 to December 31, 2015
<i>Non-IFRS Financial Measures</i>					
Mogo Members ('000)	292	158	85%	186	57%
Gross loans receivable – short-term <sup>(3)</sup>	\$ 13,292	\$ 17,262	(23%)	\$ 17,224	(23%)
Gross loans receivable – long-term <sup>(3)</sup>	57,696	36,658	57%	51,111	13%
Gross loans receivable	70,988	53,920	32%	68,335	4%

(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures".



***Mogo Members***

Mogo Members is the number of individuals who have signed up for one or more of our products and services including: consumer loans, prepaid visa card, free credit score with free monthly credit score monitoring, unique content, events and other Mogo Perks. Customers are Mogo Members who have accessed one of our loan products or the Mogo Platinum Prepaid Visa Card. Management believes that the size of our Mogo Member base is one of the key drivers of the Company's future performance. Our goal is to continue to grow and monetize our member base as we build our digital financial platform, launch new products and strive to build the largest digital financial brand in Canada. We no longer consider an individual to be a Mogo Member if they have not used or engaged with any of our products or services in the last 12 months. We anticipate that our Mogo Members will continue to grow over time. Mogo Members is not a financial measure.

***Average Revenue per Member***

Average revenue per member (ARPM) is a non-IFRS financial measure that we calculate as our total revenue during a period divided by the average number of Mogo Members in that period. We believe the ARPM is one of the key drivers of the Company's future performance. Our strategy is to continue to grow existing products, launch new products, grow our member base and increase monetization of our member base. For more information regarding the limitations of the ARPM see "Non-IFRS Financial Measures" and for a reconciliation of ARPM to revenue see "Reconciliation of Non-IFRS Financial Measures."

***Gross Loans Receivable***

We consider the growth in gross loans receivable to be a key element of the Company's performance as it increases our revenue generating assets and represents a growing customer base to which the Company can market additional products that leverage its digital platform. One of our strategies is to grow our longer-term loan portfolio as it not only drives interest revenue in the current period, but more importantly builds a longer-term revenue stream as these loans remain outstanding longer. Gross loans receivable is an IFRS measure the Company uses to assess its asset growth and capital efficiency. Gross loans receivable represents the total amount of principal and fees outstanding to our customers at the end of the period before any provision for potential future charge-offs. Growth in gross consumer loans receivable is driven by several factors including an increased number of customers and increase in average loan amount. We segregate gross loans receivable between gross loans receivable – short-term and gross loans receivable – long-term.

Gross loans receivable (short-term and long-term) are non-IFRS financial measures which refer to loans receivable relating to the initial term of our loans receivable. We use the term "gross loans receivable – short-term" to refer to loans receivable relating to our loan products having terms of less than one year, which we refer to as "short-term loan products". The only short term loan products include Mogo's Zip products which generally have terms of between 14 and 30 days. We use the term "gross loans receivable – long-term" to refer to loans receivable relating to our loan products having terms of one year or more, which we refer to as "long-term loan products". The only long-term loan products currently offered are Mogo's Mini and Liquid loan products. Mini lines of credit have a term of one year and our Liquid instalment loan products have terms of up to five years. We consider it important to highlight our increased focus on growing our long-term loan portfolio as we execute on our strategy of being a full credit spectrum lender with a loan portfolio which is becoming longer term in nature. Recent legislative changes impacting certain short-term loans have been implemented in Alberta, including reducing the maximum allowable fees for a loan, and are proposed in British Columbia and Ontario. We are considering the potential impact of these changes, if any, while we continue our emphasis on growing our long-term portfolio and introducing new fee-based products. Under IFRS, receivables are classified as 'current' or 'non-current' having maturities from the balance sheet date of 12 months or less and greater than 12 months, respectively. For more information regarding the limitations of gross loans receivable (short-term and long-term) see "Non-IFRS Financial Measures" and for a reconciliation of gross loans receivable (short-term and long-term) to gross loans receivable see "Reconciliation of Non-IFRS Financial Measures."

***Revenue***

Our revenue is based on the loan products and services we offer and includes: interest on loans outstanding, fees related to loan originations and other revenue. Other revenue is comprised of loan protection fees, nonsufficient funds fees, fees related to our prepaid Visa card and other fees or charges permitted by applicable laws and pursuant to the agreement with our customers. Revenue is an IFRS measure.

***Gross Profit***

Gross profit is an IFRS measure that we calculate as total revenue less our provision for loan losses, net of recoveries and transaction costs incurred during the period. Gross profit has grown over time due to our success in growing our revenue through increased loan originations while maintaining strong underwriting performance.

Factors that could affect gross profit include changes in i) our revenue growth and revenue mix; ii) expected loan losses; iii) our transaction related expenses; and iv) the overall economic environment.

***Contribution and Contribution Margin***

Contribution is a non-IFRS financial measure that we calculate as revenue, less transaction expenses, bad debt expense, funding interest expense and customer service and operations expenses. Contribution margin is a non-IFRS financial measure calculated by dividing contribution by total revenue. Contribution and contribution margin are measures used by our management and Board to understand and evaluate our core operating performance and trends. We measure contribution as a way to evaluate the core profitability of our product revenue which accounts for the direct expenses related to this revenue including transaction expenses, loan loss provisions, customer service and operations and funding interest expense. Contribution excludes the impact of other expenses related to our investment in our platform, business and brand including technology, marketing and general and administrative expenses. Contribution and contribution margin have varied from period to period and have generally increased over time. Factors that affect our contribution and contribution margin include revenue mix, transaction and bad debt expenses, origination and servicing expenses.

For more information regarding the limitations of contribution and contribution margin see “Non-IFRS Financial Measures” and for a reconciliation of net income (loss) before income taxes to contribution see “Reconciliation of Non-IFRS Financial Measures.”

***Adjusted EBITDA***

Adjusted EBITDA is a non-IFRS financial measure that we calculate as loss before income taxes excluding depreciation and amortization, stock-based compensation expense, non-recurring non-operating expenses, funding interest expense, corporate interest expense, and unrealized gain or loss on financial instruments and foreign exchange. Adjusted EBITDA is a measure used by management and the Board to understand and evaluate our core operating performance and trends. This measure differs from contribution in that EBITDA includes additional operating costs, such as general and administrative expenses and marketing, but excludes funding interest costs. For more information regarding the limitations of adjusted EBITDA see “Non-IFRS Financial Measures” and for a reconciliation of net income (loss) before income taxes to adjusted EBITDA see “Reconciliation of Non-IFRS Financial Measures.”

***Adjusted Net Income (Loss)***

Adjusted net income (loss) is a non-IFRS financial measure that we calculate as the net income (loss) before income taxes excluding unrealized gain or loss on financial instruments and foreign exchange, stock based compensation and non-recurring non-operating expenses. Adjusted net income (loss) is a measure used by management to evaluate the Company's overall business financial performance and trends. This measure differs from adjusted EBITDA in that adjusted net income (loss) includes depreciation and amortization, funding interest expense and corporate interest expense so is a more complete picture of the company's overall performance. For more information regarding the limitations of adjusted net income (loss) see “Non-IFRS Financial Measures” and for a reconciliation of net income (loss) before income taxes to adjusted net income (loss) see “Reconciliation of Non-IFRS Financial Measures.”

***Funding Interest Expense***

Funding interest expense is an IFRS measure representing interest expense related to funding gross loans receivable. The Company's funding interest expense incurred in the reporting period was associated with the Company's two credit facilities: the “Credit Facility - ST”, which was made available to the Company pursuant to certain revolving credit and guarantee agreements (the “Credit Facility - ST Agreements”), and The “Credit Facility - Liquid”, which relates to the Company's Liquid installment loan products and is available to the Company pursuant to certain revolving credit and guarantee



agreements (the "Liquid Credit Agreements" and together with the Credit Facility - ST Agreements, the "Credit Facility Agreements").

For more information regarding the Credit Facility - Liquid and the Credit Facility - ST (together, the "Credit Facilities"), see "Key Balance Sheet Items – Credit Facilities" and "Liquidity and Capital Resources" below.

Funding interest expense is a key measure for the management to evaluate the cost of funding for the loan portfolio.

### ***Charge-Off Rate***

Charge-off rate is a non-IFRS financial measure that we calculate as the annualized rate of loans written-off during the current period, net of recoveries, divided by average gross loans receivable in the period. We consider the charge-off rate in a period to be an important metric and indication of the credit performance of our loan portfolio. For more information regarding the limitations of provision rate see "Non-IFRS Financial Measures" and for a reconciliation of provision rate see "Reconciliation of Non-IFRS Financial Measures."

### **Results of Operations**

The following table sets forth a summary of our results of operations for the three and nine months ended September 30, 2016 and 2015:

(\$000s, except per share amounts)					
	Three months ended September 30			Nine months ended September 30	
	2016		2015	2016	2015
Revenue	\$	12,612	\$	38,044	31,022
Cost of revenue		5,011		15,100	11,702
Gross profit		7,601		22,944	19,320
Technology and development expenses		2,688		7,637	5,371
Customer service and operations expenses		1,776		5,487	6,366
Marketing expenses		1,229		5,467	8,214
General and administration expenses		2,318		7,953	7,294
Operating expenses		8,011		26,544	27,245
Income (loss) from operations		(410)		(3,600)	(7,925)
Funding interest expense		1,589		4,527	2,247
Corporate interest expense		1,559		4,705	4,683
Unrealized foreign exchange loss		55		(368)	893
Unrealized gain on derivative liability		(24)		(99)	-
Store closure and related expenses		-		1,506	-
Other financing (income) expenses		(12)		(7)	4
Income taxes		-		-	3
Net loss after tax		(3,577)		(13,864)	(15,755)
Adjusted EBITDA <sup>(3)</sup>		518		(963)	(6,244)
Adjusted net loss <sup>(3)</sup>		(3,347)		(11,995)	(14,306)
<b>Net loss per share</b> (Basic and fully diluted )		(0.20)		(0.76)	(0.87)

(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures".



## Key Income Statement Components

### Revenue

The following table displays the revenue for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Loan fees	\$ 6,246	\$ 7,747	(19%)	\$ 20,307	\$ 22,707	(11%)
Loan interest	4,057	2,348	73%	11,487	4,863	136%
Other revenue	2,309	1,457	58%	6,250	3,452	81%
Revenue	12,612	11,552	9%	38,044	31,022	23%

Revenue for the quarter ended September 30, 2016 increased by 9% or \$1 million to \$12.6 million compared to \$11.6 million for the quarter ended September 30, 2015. Revenue for the nine months ended September 30, 2016 increased by 23% or \$7 million to \$38 million compared to \$31.0 million for the nine months ended September 30, 2015.

Loan fees for the quarter ended September 30, 2016 were \$6.2 million and decreased by 19% or approximately \$1.5 million compared to the same period of 2015. Loan fees for nine months ended September 30, 2016 decreased by 11% or \$2.4 million to \$20.3 million compared to \$22.7 million for the nine months ended September 30, 2015. The decrease was driven by the Company's continued focus on growing its installment loans and line of credit products rather than its short term loan product.

Loan interest for the quarter ended September 30, 2016 increased by \$1.7 million to \$4.1 million. This represented a 73% increase, compared to \$2.3 million in loan interest for the quarter ended September 30, 2015. Loan interest for nine months ended September 30, 2016 increased by 136% or \$6.6 million to \$11.5 million compared to \$4.9 million for the nine months ended September 30, 2015. The increase in loan interest was driven by the continued increase in our installment loan and credit line products and corresponding growth in our long-term gross loans receivable outstanding. Other revenue for the quarter ended September 30, 2016 increased by \$0.8 million to \$2.3 million compared to \$1.5 million for the same quarter of 2015, an increase of 58%. Other revenue for nine months ended September 30, 2016 increased by 81% or \$2.8 million to \$6.2 million compared to \$3.4 million for the nine months ended September 30, 2015. The growth in other revenue represents ancillary revenue driven by the increase in gross loans receivable such as loan protection fees, non-sufficient funds fees and interest.

### Cost of revenue

The following table displays the cost of revenue for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Provision for loan losses, net of recoveries	\$ 4,190	\$ 3,580	17%	\$ 12,454	\$ 9,801	27%
Transaction costs	821	751	9%	2,646	1,901	39%
Cost of revenue	5,011	4,331	16%	15,100	11,702	29%
As a percentage of revenue	40%	37%		40%	38%	



The cost of revenue for the quarter ended September 30, 2016 increased by \$0.7 million, to \$5.0 million from \$4.3 million for the same quarter of 2015, an increase of 16%. Cost of revenue for nine months ended September 30, 2016 increased by 29% or \$3.4 million to \$15.1 million compared to \$11.7 million for the nine months ended September 30, 2015. The increase in cost of revenue was attributable to increased provision for loan losses, net of recoveries and transaction costs both driven by overall growth in the loan portfolio. The cost of revenue as a percentage of revenue increased from 37% for the quarter ended September 30, 2015 to 40% for the same period in 2016 and increased from 38% for nine months ended 30 September 2015 to 40% for the same period of 2016.

Reflecting the Company's continued strong underwriting performance, provision for loan losses as a percentage of revenue was consistent with our overall target ranges. Provision for loan losses, net of recoveries as a percentage of revenue was 33% for the quarter ended September 30, 2016, compared to 31% for the same period of 2015 and at 33% for nine months ended September 30, 2016 compare to 32% for the same period of 2015.

Transaction costs are a variable cost and are a function of loan originations and other transaction related activities. Components include: payment processing and banking fees, underwriting and credit scoring, and costs of our loan protection program. Transaction costs as a percentage of revenue remained the same at 7% for the quarter ended September 2016 and 2015 and for nine months ended September 30 2016 increased to 7% from 6% for the same period of 2015.

### Gross Profit

The following table provides the gross profit for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Gross profit	\$ 7,601	\$ 7,221	5%	\$ 22,944	\$ 19,320	19%
Gross profit %	60%	63%		60%	62%	

Gross profit is driven by both revenue growth and changes in the cost of revenue. Gross profit for the quarter ended September 30, 2016 was \$7.6 million compared to \$7.2 million for the same quarter of 2015, an increase of \$0.4 million or 5% as a result of our increase in revenue due to higher gross loans receivable during the period. Gross profit as a percentage of revenue decreased to 60% in the quarter ended September 30 2016 from 63% for the same quarter of 2015.

Gross profit for the nine months ended September 30, 2016 was \$22.9 million compared to \$19.3 million for the same period of 2015, an increase of \$3.6 million or 19%. Gross profit as a percentage of revenue decreased to 60% in the quarter ended September 30 2016 from 62% for the same period of 2015.

### Technology and Development Expenses

The following table provides the technology and development expenses for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Technology and development expenses	\$ 2,688	\$ 2,134	26%	\$ 7,637	\$ 5,371	42%
As a percentage of revenue	21%	18%		20%	17%	



Technology and development expenses in the quarter ended September 30, 2016 were \$2.7 million, an increase of \$0.6 million or 26% from the same quarter of 2015. Technology and development expenses for the nine months ended September 30, 2016 increased by 42% or \$2.2 million to \$7.6 million compared to \$5.4 million for the nine months ended September 30, 2015

The increase was primarily attributable to an increase in headcount and other technology related expenses as we increased the number of technology personnel to invest in the continued development of our fully digital financial services platform including further improvements to our customer experience, self-service capabilities and operational efficiencies as well as development of new products. Specific initiatives include: improvements to our account opening experience, enhanced customer account functionality, development of our mobile app, increased automation of our loan experience, enhancements to our credit decision platform, and development of our new prepaid Visa card program and new mortgage product.

Technology and development headcount increased by 26 from 78 at December 31, 2015 to 104 at September 30, 2016. Technology and development expenses as a percentage of revenue grew from 18% during the quarter ended September 30, 2015 to 21% during the same quarter of 2016. This expense grew from 17% of revenue for the nine months ended September 30, 2015 to 20% during the same period of 2016. Technology and development expenses included the stock compensation costs related to the technology team. Excluding the stock compensation expenses, the net technology and development expenses in the quarter ended September 30, 2016 was \$2.6 million, or 20% of revenue in the quarter.

The capitalization of technology and development expenses for internally developed software for the quarter ended September 30, 2016 was \$1.7 million, essentially flat with the \$1.7 million in the second quarter of 2016, and an increase of \$0.4 million compared to \$1.3 million in the same period of 2015. Capitalization of technology and development expenses for internally developed software for the nine months ended September 30, 2016 was \$4.9 million compared to \$2.7 million for the nine months ended September 30, 2015, an increase of \$2.2 million. The significant spending in technology highlights the Company's commitment to investing in its technology platform for future product and service improvements.

### Customer Service and Operations Expenses

The following table provides the customer service and operations expenses for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Customer Service and Operations expenses	\$ 1,776	\$ 2,394	(26%)	\$ 5,487	\$ 6,366	(14%)
As a percentage of revenue	14%	21%		14%	21%	

Customer service and operations ("CS&O") expenses for the quarter ended September 30, 2016 decreased \$0.6 million or 26%, to \$1.8 million from \$2.4 million for the same period of 2015. CS&O expenses for nine months ended September 30, 2016 decreased by 14% or \$0.9 million to \$5.5 million compared to \$6.4 million for the nine months ended September 30, 2015. The decrease in CS&O expenses for the reported period was primarily attributable to lower personnel costs offset by the increased expenses related to our free credit score product.

CS&O expenses as percentage of revenue decreased significantly from 21% to 14% from the quarter ended September 30, 2015 to the quarter ended September 30, 2016 and decrease from 21% during nine months ended September 30, 2015 to 14% during same period of 2016. This was primarily driven by process improvement driving operational efficiencies. CS&O headcount decreased from 202 at December 31, 2015 to 118 at September 30, 2016. Management expects CS&O expenses will increase as a percentage of revenue as we launch new products including our free credit score product, our prepaid Visa card and our planned mortgage product. This increase will be moderated somewhat by benefits from increased scale and





implementation of additional enhancements to our technology platform, including features that enable an even greater level of customer self-service. See "Caution Regarding Forward-Looking Statements".

### Marketing Expenses

The following table provides the marketing expenses for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Marketing expenses	\$ 1,229	\$ 3,656	(66%)	\$ 5,467	\$ 8,214	(33%)
As a percentage of revenue	10%	32%		14%	26%	

For the quarter ended September 30, 2016, marketing expenses were \$1.2 million. This was a decrease of 66% or \$2.4 million compared to the same period of 2015. Marketing expenses for the nine months ended September 30, 2016 decreased by 33% or \$2.7 million to \$5.5 million compared to \$8.2 million for the nine months ended September 30, 2015. The decrease in marketing expenses was due mainly to cost savings as result of entering into the marketing collaboration agreement with Postmedia in January 2016.

As per the marketing collaboration with Postmedia, Mogo is able to use the promotional commitments to market and advertise its products and services across more than 200 of Postmedia's print, media, and online properties across Canada. The Agreement requires Mogo to pay Postmedia a performance-based revenue share equal to 4% of its annual revenue up to \$50 million and 11% of incremental revenues above \$50 million per annum subject to certain adjustments. Mogo also paid a set-up fee in the amount of \$1.17 million and issued Postmedia, for a subscription price of \$1.2 million, a five-year warrant to acquire up to 1,196,120 common shares of Mogo. Either party is entitle to terminate this agreement immediately upon written notice to the other party, if the other party has committed a material breach of its obligations or for any other reason as mentioned in the agreement. The amounts included in marketing expenses related to the agreement with Postmedia, consisting of the performance-based revenue share payments, amortization of set-up fee and amortization of fair value of warrants represented \$0.7 million of the total marketing expenses for the three months and \$2.1 million for the nine months ended September 30, 2016

Marketing expenses as a percentage of revenue decreased to 10% for the quarter ended September 30, 2016 compared to 32% for the same period of 2015 and a decrease from 26% during the nine months ended September 30, 2015 to 14% during same period of 2016. It is consistent with the Company's strategy to leverage the Postmedia partnership for driving marketing and brand awareness. The Company continues to prioritize its focus on optimizing its marketing spend with Postmedia as well as investing some additional resources in other third party marketing channels which it believes will enhance to its overall marketing strategy.

### General and Administration Expenses

The following table provides the general and administration expenses for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
General and administration expenses	\$ 2,318	\$ 3,008	(23%)	\$ 7,953	\$ 7,294	(9%)
As a percentage of revenue	18%	26%		21%	24%	



General and administration expenses for the quarter ended September 30, 2016 were \$2.3 million, a decrease of 23% or \$0.7 million over the same period of 2015. General and administration expenses for nine month ended September 30, 2016 increased by 9% or \$0.7 million to \$8.0 million compared to \$7.3 million for the nine months ended September 30, 2015. The decrease in general and administration expenses was primarily driven by process improvement driving operational efficiencies and costs savings as a result of stores closure in the first quarter of 2016.

As a percentage of revenues, general and administration expenses decreased from 26% for the quarter ended September 30, 2015 to 18% for the quarter ended September 30, 2016. They decreased from 24% for nine months ended September 2015 to 21% during the same period of 2016. General and administration expenses included the stock compensation costs related to administrative personnel. Excluding stock compensation expenses, the net general and administration expenses in the quarter ended September 30, 2016 was \$2.2 million, or 17% of revenue in the quarter and \$7.4 million, or 20% of revenue for nine months ended September 31, 2016. See "Caution Regarding Forward-Looking Statements".

### ***Funding Interest Expense***

The following table provides a breakdown of funding interest expense for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Funding interest expense - Credit Facility-ST	\$ 1,035	\$ 792	31%	\$ 2,838	\$ 2,218	28%
Funding interest expense - Credit Facility-Liquid	554	29	1810%	1,689	29	5724%
Total funding interest expense	1,589	821	94%	4,527	2,247	101%
As a percentage of revenue	13%	7%		12%	7%	

Funding interest expense is our funding cost (including interest expense, fees, and amortization of deferred financing costs) we incur in connection with the Credit Facilities which we use to fund our lending activities.

Funding interest expense for the quarter ended September 30, 2016 was \$1.6 million, an increase of \$0.8 million or 94% over the same period of 2015. Funding interest expense for the nine months ended September 30, 2016 increased by 101% or \$2.3 million to \$4.5 million compared to \$2.2 million for the nine months ended September 30, 2015. Funding interest expense as a percentage of revenue increased to 13% for the quarter ended September 30, 2016 compared to 7% for the same periods of 2015. It increased from 7% during the nine months ended September 30, 2015 to 12% during same period of 2016 due to increased usage of our credit facilities as a result of the growth of our gross loans receivable – long term.





### Other Income and Expense

The following table provides a breakdown of other income and expense by type for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Corporate interest expense	\$ 1,559	\$ 1,569	(1%)	\$ 4,705	\$ 4,683	0%
Unrealized foreign exchange (gain) loss	55	437	(87%)	(368)	893	(141%)
Unrealized gain on derivative liability	(24)	-	n/a	(99)	-	n/a
Store closure and related expenses	-	-	n/a	1,506	-	n/a
Other financing expense	(12)	5	(340%)	(7)	4	275%
Total other (income) expense	1,578	2,011	(22%)	5,737	5,580	3%
As a percentage of revenue	13%	17%		15%	18%	

Corporate interest expense consists of interest expense incurred in respect of our outstanding debentures. The corporate interest expense for the quarter and for the nine months ended September 30, 2016 remained essentially at the same level as the same period of 2015.

The unrealized gain or loss on foreign exchange, derivative liability, one time non operating expenses and other financing expense are immaterial for the quarter ended September 30, 2016.

The total other (income) expense as a percentage of revenue decreased slightly to 13% in the quarter ended September 30, 2016 from 17% in the same period 2015 and decrease from 18% during the nine months ended September 30, 2015 to 15% during same period of 2016.

### Net Loss, Adjusted EBITDA, Adjusted net loss, Basic and Fully Diluted loss per share

The following table provides the summary of net loss, adjusted EBITDA, and loss per share for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s, except percentages)

	Three months ended September 30		Percentage Change	Nine months ended September 30		Percentage Change
	2016	2015		2016	2015	
Net loss before tax	\$ (3,577)	\$ (6,803)	(47%)	\$ (13,864)	\$ (15,752)	(12%)
Adjusted EBITDA <sup>(3)</sup>	518	(3,156)	n/a	(963)	(6,244)	(85%)
Adjusted net income (loss) <sup>(3)</sup>	(3,347)	(5,970)	(44%)	(11,995)	(14,306)	(16%)
Basic and fully diluted loss per share	(0.20)	(0.38)	(50%)	(0.76)	(0.87)	(14%)



Net loss for the quarter ended September 30, 2016 decreased to \$3.6 million from \$6.8 million for the same period of 2015 and decreased to \$13.9 million for the nine months ended September 30, 2016 from \$15.8 million for the same period of 2015.

Adjusted EBITDA<sup>(3)</sup> was \$0.5 million for the quarter ended September 30, 2016, an improvement of \$3.7 million compared to the same period of 2015. It was (\$1.0) million for the nine months ended September 30, 2016, an improvement of 85% compared to the same period of 2015. The adjusted net loss<sup>(3)</sup> was (\$3.3) million for the quarter ended September 30, 2016, an improvement of 44% from the same period of 2015 and was (\$12.0) million for the nine months ended September 30, 2016 compared to (\$14.3) million for the same period of last year, an improvement of 16% from the same period of 2015.

The Adjusted EBITDA<sup>(3)</sup> calculation for three months and nine months ended September 30, 2016 excluded the amortization of warrant expenses and amortization of setup fees associated to marketing collaboration agreement with Postmedia.

The Company's strategy, at this time, is to grow its revenue in a measured way while investing in the technology and operational foundations of its business as a means to long term success. As we achieve scale, we expect adjusted EBITDA<sup>(3)</sup> and adjusted net loss<sup>(3)</sup> to improve over time. See "Caution Regarding Forward-Looking Statements".

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(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures".



## Key Balance Sheet Components

The following table provides the key balance sheet components:

(\$000s)	As at	
	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 22,098	\$ 31,724
Net loans receivable	63,187	61,768
Total assets	103,523	107,342
Credit facilities	47,056	40,384
Debentures	39,958	40,326
Total liabilities	94,894	87,317

## Loans Receivable

The following table provides a breakdown of loans receivable:

(\$000s)	As at	
	September 30, 2016	December 31, 2015
Gross loans receivable – short-term <sup>(3)</sup>	\$ 13,292	\$ 17,224
Gross loans receivable – long-term <sup>(3)</sup>	57,696	51,111
Gross loans receivable	70,988	68,335
Allowance for loan losses	(7,801)	(6,567)
Net loans receivable	63,187	61,768

Net loans receivable were \$63.2 million as at September 30, 2016, an increase of \$1.4 million compared to \$61.8 million at December 31, 2015. In the third quarter, we continued our focus on prudently growing our long-term loan portfolio while balancing this growth with our continued investment in our technology platform and new products. Gross loans receivable as at September 30, 2016 was \$71 million, an increase of \$2.6 million compared to gross loans receivable as at December 31, 2015. Within this, gross loans receivable - long-term was approximately \$57.7 million, an increase of \$6.6 million or 13% compared to the balance as at December 31, 2015. Gross loans receivable – long-term represented 81% of the total gross loans receivable as at September 30, 2016, up from 75% as at December 31, 2015.

The following table provides the breakdown of loans receivable by geographic distribution:

(\$000s, except percentages)	September 30, 2016				December 31, 2015			
	AB	BC	ON	Total	AB	BC	ON	Total
Gross loans receivable	\$11,100	\$11,875	\$48,013	\$70,988	\$11,647	\$10,840	\$45,848	\$68,335
% of total gross loans receivables	16%	17%	68%	100%	17%	16%	67%	100%

(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see “Non-IFRS Financial Measures” and “Reconciliation of Non-IFRS Financial Measures”.



Outstanding loans receivable originated in Ontario remains the major portion of our total gross loans receivable portfolio. The outstanding loans receivable originated in Alberta, as a percentage of total loans receivable decreased from 17% as at December 31, 2015 to 16% as at September 30, 2016, mainly offset by the increase in Ontario for the same periods reported.

The allowance for loan losses was \$7.8 million at September 30, 2016, up from \$6.6 million at December 31, 2015. The allowance for loan losses is reported on the Company's balance sheet and is netted against the gross loans receivable to arrive at the net loans receivable. The allowance for loan losses provides for future loan charge-offs that have not yet occurred within the portfolio of consumer loans receivable at the end of a period. The Company's methodology for calculating the allowance for loan losses is described below.

(\$000s)		As at	
		September 30, 2016	December 31, 2015
Allowance for loan losses, beginning of period	\$	6,567	\$ 3,085
Provision for loan losses		13,354	14,510
Loans charged-off		(12,120)	(11,028)
Allowance for loan losses, end of period		7,801	6,567

An aging analysis of the loans receivable portfolio at the end of the period is as follows:

(\$000s, except percentages)				As at		
	September 30, 2016		December 31, 2015		% of Total	
Not past due	\$	62,486	88%	\$	60,073	88%
1 to 30 days past due		1,538	2%		2,032	3%
31 to 60 days past due		1,582	2%		1,598	2%
61 to 90 days past due		1,278	2%		1,139	2%
91 to 180 days past due		4,104	6%		3,493	5%
Gross loans receivable		70,988	100%		68,335	100%
Allowance for loan losses		(7,801)			(6,567)	
Net loans receivable		63,187			61,768	

The Company assesses its allowance for loan losses at each reporting date. In determining the allowance for estimated losses on its loans receivable portfolio, the Company applies a systematic methodology. Outstanding loans are divided into discrete groups of short-term loans and long-term loans, with long-term loans being further divided into line of credit accounts and installment loans, and are analyzed as current or delinquent. Increases in the provision for loan losses, net of recoveries are recorded as a "cost of revenue" in the consolidated statements of income.

The Company fully reserves and charges off consumer loans once the loan or a portion of the loan has been classified as delinquent for 180 consecutive days. If a loan is deemed uncollectible before it is fully reserved, it is charged off at that point. Consumer loans classified as delinquent generally have an age of one to 179 days from the date any portion of the loan became delinquent, as defined above. Recoveries on loans previously charged to the allowance are credited to the provision for loan losses when collected.

In the opinion of management, the Company has provided adequate allowances to absorb probable credit losses inherent in its loan portfolio based on available and relevant information affecting the loan portfolio at each balance sheet date. The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly. See "Caution Regarding Forward-Looking Statements".

**Credit Facilities**

(\$000s)	As at	
	September 30, 2016	December 31, 2015
Credit Facility - ST	\$ 25,739	\$ 19,520
Credit Facility - Liquid	21,317	20,864
Total Credit Facility outstanding balance	47,056	40,384

The Credit Facility - ST authorizes an operating line up to a maximum of \$30 million. The Credit Facility - ST can be expanded to \$50 million with the consent of the lender. The amount drawn on the Credit Facility - ST as at September 30, 2016 was \$25.7 million (\$20.0 million at December 31, 2015) with unamortized deferred financing costs of \$0.2 million as at September 30, 2016 (\$0.5 million at December 31, 2015) netted against the amount owing.

The Credit Facility - Liquid consists of a term loan that authorizes an operating line for a maximum of \$50 million and matures on August 31, 2020. The amount drawn on the facility as at September 30, 2016 was \$21.3 million (December 31, 2015 – \$21.7 million) with unamortized deferred financing costs of \$0.6 million (December 31, 2015 – \$0.8 million) netted against the amount owing.

Both credit facilities are subject to certain covenants and events of default. During Q2 2016 certain amendments have been made in Credit facility – ST and Credit facility – Liquid. Major amendments includes an extension of Credit Facility - ST maturity date from February 24, 2017 to July 2, 2018, an increase in the funding rate for line of credit products and removing the financial covenant requiring the Company achieve positive net income in Q1 2017 and each fiscal year thereafter.

**Debentures**

(\$000s)	As at	
	September 30, 2016	December 31, 2015
Debentures	\$ 39,958	\$ 40,326

We have subordinated debentures that were historically used to finance the operations of our business including much of our loans receivable. The debentures require interest only payments bearing annual interest rates ranging between 12% and 18.2% (December 31, 2015 — 12% and 18.2%) with principal amounts maturing at various periods beginning March 1, 2017 and through to December 23, 2021.

The Debentures are governed by terms of the Trust Deed which among other things are subject to the Subordination Agreement with Fortress and prevents the Company from repaying principal on the Debentures prior to the earlier of the repayment of the Credit Facility – ST or the maturity of the Credit Facility – ST on July 2, 2018.



The following table sets out our debentures as of September 30, 2016:

	Balance as at September 30, 2016	Maturity Dates	Annual Interest Rates
Series A .....	\$20,720,159	From 03/01/2017 to 01/15/2020	15%
Series B.....	\$1,993,040	From 03/01/2017 to 03/01/2020	From 14 to 14.5%
Series C.....	\$400,001	From 03/01/2017 to 03/01/2019	13%
Series D .....	\$50,000	03/01/2017	12%
Series E.....	\$150,000	03/01/2017	From 15 to 18%
Series F .....	\$450,000	03/01/2017	18%
Series AA.....	\$3,388,400	From 11/08/2018 to 03/01/2019	16%
Series BB .....	\$1,723,000	From 03/01/2019 to 03/01/2021	From 15% to 17%
Series CC.....	\$7,923,051	From 03/01/2017 to 03/01/2019	From 15 to 18.2%
Series EE .....	\$2,485,000	03/01/2017	15%
Series FF.....	\$170,000	03/01/2017	14%
Series 1C.....	\$500,000	06/17/2019	14%
Other.....	\$5,000	03/01/2017	24%
	<u>\$39,957,651</u>		

### *Transactions with Related Parties*

The significant related party transactions incurred during current quarter ended September 30, 2016 are transactions with debenture holders that incur interest. Interest incurred on related party debenture balances during the current quarter totaled \$0.1 million similar to the \$0.1 million incurred in the same period of 2015 and \$0.3 million for nine months ended September 30, 2016. Debenture balances include \$2.17 million due to related parties, as at September 30, 2016 (\$2.25 million as at December 31, 2015). The related parties involved in such transactions were (i) members of the family of Praveen Varshney, a director of the Company, and entities which are directly or indirectly controlled by Mr. Varshney or members of his family; (ii) members of the family of Gregory Feller, a director and officer of the Company, and entities which are directly or indirectly controlled by members of Mr. Feller's family; and (iii) members of the family of David Feller, a director and officer of the Company and entities which are directly or indirectly controlled by members of his family. The Debentures are ongoing contractual obligations that are used to fund our corporate and operational activities. These debentures are contractually obligated to be paid on the maturity date.

Included in the loan receivable amount is \$26,660 as of September 30, 2016 (December 31, 2015 – \$35,000) due from a related party.



## Selected Quarterly Information

(\$000s, except percentages, per share amount and ARPM)

	2016				2015				2014
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	
<b>Income Statement Highlights</b>									
Revenue	\$ 12,612	\$ 12,699	\$ 12,732	\$12,509	\$11,552	\$10,325	\$9,145	\$8,446	
Cost of revenue	5,011	5,168	4,921	4,703	4,331	3,924	3,448	3,105	
Gross profit	7,601	7,532	7,811	7,806	7,221	6,402	5,697	5,341	
Operating expenses	8,011	9,052	9,481	10,453	11,192	8,820	7,233	5,538	
Loss from operations	(410)	(1,521)	(1,670)	(2,647)	(3,971)	(2,418)	(1,536)	(197)	
Funding interest expense	1,589	1,499	1,439	1,222	821	800	626	638	
Net loss before tax	(3,577)	(4,634)	(5,654)	(5,596)	(6,803)	(4,684)	(4,265)	(2,609)	
<b>Per Share Highlights</b>									
Net Loss per common share (Basic and fully diluted)	(0.20)	(0.25)	(0.31)	(0.43)	(0.38)	(0.26)	(0.56)	(0.34)	
<b>Non-IFRS Financial Measures</b>									
Contribution <sup>(3)</sup>	4,236	4,367	4,327	4,171	4,006	3,477	3,225	2,671	
Contribution margin <sup>(3)</sup>	33.6%	34.4%	34.0%	33.3%	34.7%	33.7%	35.3%	31.6%	
Adjusted EBITDA <sup>(3)</sup>	518	(518)	(963)	(1,459)	(3,156)	(1,948)	(1,140)	180	
Adjusted net loss <sup>(3)</sup>	(3,347)	(4,218)	(4,430)	(4,818)	(5,970)	(4,664)	(3,674)	(2,379)	
Charge-off rate <sup>(3)</sup>	22.8%	22.3%	18.9%	19.2%	22.6%	30.0%	33.8%	27.9%	
Average revenue per member <sup>(3)</sup> (ARPM in \$)	49	59	65	73	82	93	105	121	

(\$000s)

	2016				2015				As at
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	
<b>Balance Sheet Highlights</b>									
Net loans receivable	\$ 63,187	\$ 63,017	\$ 62,698	\$ 61,768	\$ 48,305	\$ 33,057	\$ 25,402	\$19,177	
Total Assets	103,523	104,459	107,620	107,342	100,620	95,548	49,538	49,410	
Total Liabilities	94,894	92,516	91,472	87,317	75,633	64,182	58,749	55,630	

(3) For more information regarding our use of these measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "Non-IFRS Financial Measures" and "Reconciliation of Non-IFRS Financial Measures".



## **Significant Factors Affecting Results of Operations**

Our results of operations are influenced by a variety of factors including revenue, cost of revenue, technology and development expenses, customer service and operations, marketing expenses, general and administration expenses, interest expense, foreign exchange rates and economic conditions.

### ***Revenue***

We recognize revenue based on the loan products we offer and pursuant to the agreement with our customers. For our short-term loan products, which generally have terms ranging from fourteen to thirty days, we recognize loan fees when assessed to the customer.

Our long-term loans fall into two categories: line of credit accounts and installment loans. For our line of credit accounts, interest is recognized over the reporting period based upon the balance outstanding and the contractual interest rate, and fees are recognized when assessed to the customer. For our installment loans, interest is recognized on an effective interest rate method basis over the term of the loan and fees are recognized when assessed to the customer. The Company continues to focus on growing its long-term loan products, including its installment loans, and expects loan interest to represent an increasing percentage of total revenue. See "Caution Regarding Forward-Looking Statements".

Other revenue includes loan protection fees, nonsufficient funds fees, fees related to our prepaid Visa card and other fees or charges permitted by applicable laws and pursuant to the agreement with our customers. Unpaid and accrued interest and fees are included in "net loans receivable" in our consolidated statement of financial position.

### ***Cost of Revenue***

Cost of revenue consists of provision for loan losses, net of recoveries and transaction costs. Provision for loan losses, net of recoveries consists of amounts charged to income during the period to maintain an allowance for loan losses estimated to be adequate to provide for probable credit losses inherent in our existing loan portfolio. Our allowance for loan losses represents our estimate of the expected credit losses inherent in our portfolio and is based on a variety of factors, including the composition and quality of the portfolio, loan-specific information gathered through our collection efforts, delinquency levels, our historical charge-off and loss experience, and general economic conditions. We expect our aggregate provision for loan losses, net of recoveries to decrease as a percentage of revenue as our loan portfolio continues to transition to be more long-term in nature. See "Caution Regarding Forward-Looking Statements".

Transaction costs are expenses that relate directly to the acquisition and processing of new customers (excluding marketing) and include such expenses as payment processing fees, credit scoring fees, loan system transaction fees, insurance commission expense and issuance costs and fees related to our Visa card program.

### ***Technology and Development Expenses***

Technology and development expenses consist primarily of personnel and related costs of our development, business intelligence, product development and IT infrastructure employees. Additional expenses include third-party data acquisition expenses, professional services, consulting costs, expenses related to the development of new products and technologies and maintenance of existing technology assets, amortization of capitalized software costs related to our technology platform and allocated overhead. The number of employees in the technology and development functions increased from 78 at December 31, 2015 to 104 at September 30, 2016. We believe that continuing to invest in technology is core to our strategy of building a fully digital financial services platform and customer experience. See "Caution Regarding Forward-Looking Statements".

### ***Customer Service and Operations Expenses***

Customer service and operations expenses consist primarily of salaries and personnel-related costs related to customer support and collections employees. Additional expenses include third party expenses related to credit data sources, collections and allocated overhead.





The number of employees in processing and servicing functions decreased from 202 at December 31, 2015 to 118 at September 30, 2016 as result of the operating efficiencies mentioned previously. We anticipate that our customer service and operations expense may rise over time in absolute dollars as we launch new products, moderated somewhat as we continue to enhance our technology platform and improve operational efficiencies. See "Caution Regarding Forward-Looking Statements".

### ***Marketing Expenses***

Marketing expenses consist of salaries and personnel-related costs of our marketing employees, as well as direct marketing and advertising costs related to online and offline customer acquisition costs (paid search advertising, search engine optimization costs, and direct mail), revenue share payments to Postmedia, public relations, promotional event programs, corporate communications and allocated overhead. The number of employees in our marketing functions decreased from 9 at December 31, 2015 to 6 at September 30, 2016. We transitioned some services to outside agencies to utilize specialized skills not available internally. We expect to increase the number of marketing professionals and increase our marketing activities in order to continue to expand our direct customer acquisition efforts and build our brand. See "Caution Regarding Forward-Looking Statements".

### ***General and Administration Expenses***

General and administrative expenses consist primarily of salary and personnel related costs for our executive, finance and accounting, credit analysis, underwriting, legal and compliance, funding, fraud detection and human resources employees. Additional expenses include consulting and professional fees, insurance, legal, occupancy, other corporate expenses and travel. The number of employees in general and administrative functions increased from 43 at December 31, 2015 to 48 at September 30, 2016, and we expect our general and administrative expenses to increase in absolute dollars as we continue to expand our business. These expenses will include costs of regulatory reporting and requirements governing public companies, increased directors' and officers' liability insurance, increased accounting, legal and other professional services fees and an enhanced investor relations function. See "Caution Regarding Forward-Looking Statements".

### ***Interest Expense***

Interest expense is comprised of funding interest and corporate interest. Funding interest expense costs consist of the interest expense related to the debts which we use to fund our on-balance sheet lending activities. Management expects funding costs to continue to increase in absolute dollars in the future as our loan portfolio grows. See "Caution Regarding Forward-Looking Statements". Corporate interest expense consists of interest expense and amortization of deferred debt financing costs incurred on our subordinated debentures.

Changes in macroeconomic conditions may affect generally prevailing interest rates, and such effects may be amplified or reduced by other factors such as fiscal and monetary policies, economic conditions in other markets and other factors. Interest rates may also change for reasons unrelated to economic conditions. To the extent that interest rates rise, our funding costs may increase and the spread between our effective interest yield and our funding costs may narrow to the extent we cannot correspondingly increase the rates we charge our customers.

### ***Foreign Exchange***

Our presentation and functional currency is in Canadian (CAD) dollars. Our operations are based in Canada and we derive all of our revenue in CAD dollars.

### ***Unrealized Foreign Exchange Loss***

The Company recognized unrealized foreign exchange loss of \$0.06 million for the three months ended September 30, 2016 and unrealized foreign exchange gain of \$0.4 million for the nine months ended September 30, 2016. Unrealized foreign exchange loss are associated with the translation of our \$5.095 million in USD denominated debentures.



### ***Economic Conditions***

Changes in the overall economy may impact our business in several ways, including demand for our products, credit performance and funding costs.

- *Demand for Our Products.* In a strong economic climate, demand for our products may increase as consumer spending increases. In addition, more potential customers may meet our underwriting requirements to qualify for a loan. Traditional lenders may also approve loans for a higher percentage of our potential customers. In a weakening economic climate or recession, the opposite may occur.
- *Credit Performance.* In a strong economic climate, our customers may experience improved cash flow and liquidity, which may result in lower loan losses. In a weakening economic climate or recession, the opposite may occur. We factor economic conditions into our loan underwriting analysis and allowance for loan losses, but changes in economic conditions, particularly sudden changes, may affect our actual loan losses.
- *Loan Losses.* Our underwriting process is designed to limit our loan losses to levels compatible with our business strategy and financial model. Our aggregate loan losses since 2012 have been consistent with our financial targets. Our overall loan losses are affected by a variety of factors, including external factors such as prevailing economic conditions and unusual events such as natural disasters, as well as internal factors such as the accuracy of our internal credit scoring process, the effectiveness of our underwriting process and the introduction of new products with which we have less experience to draw upon when forecasting their loss rates. Our loan losses may vary in the future.

### **Liquidity and Capital Resources**

To date the Company has funded our lending activities, expenses and losses primarily through an initial public offering of an aggregate of \$50 million in 2015 and private placements of preferred shares, private placements of debentures, credit facilities and cash from operating activities. Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they come due. Management does so by continuously monitoring revenues, expenses and cash flow compared to budget.

To maintain adequate liquidity, the long-term business goal of the Company is to diversify its funding sources. The purpose of diversification by source, geographic location and maturity is to mitigate liquidity and funding risk by ensuring that the Company has in place alternative sources of funds that strengthen its capacity to withstand a variety of market condition and support its long term growth. In the near term, management expects to extend or refinance any outstanding amounts owing under the Credit Facilities or our long term debentures discussed below when they become due and payable. See "Caution Regarding Forward-Looking Statements".



## Cash Flow Summary

The following table provides a summary of cash inflows and outflows by activity for the three and nine months ended September 30, 2016 and September 30, 2015:

(\$000s)				
	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
<i>Cash provided by (used in) operating activities before investment in loans receivable</i>	\$ 2,056	\$ (842)	\$ 3,270	\$ 151
Cash invested in loans receivable	(4,685)	(19,045)	(14,773)	(39,516)
Cash used in operating activities	(2,629)	(19,887)	(11,503)	(39,365)
Cash used in investing activities	(1,751)	(3,364)	(5,843)	(6,061)
Cash provided by financing activities	2,347	10,398	7,720	61,718
Net increase (decrease) in cash for the period	(2,033)	(12,853)	(9,626)	16,292

### *Cash provided by (used in) operating activities*

Our operating activities have consisted primarily of funding our short and long-term loan originations, including payment of associated direct costs and receipt of associated fees, offset by customer repayments of these short and long-term loans.

Cash used in operating activities for the quarter ended and nine months ended September 30, 2016 was \$2.6 million and \$11.5 million respectively. Included in these amounts were net cash investments in loans receivable of \$4.7 million and \$14.8 million. If these net investments in the loans receivable portfolio were treated as cash flows from investing activities, the cash flow provided by operating activities would be \$2 million and \$3.3 million during the current quarter and nine months ended September 30, 2016. This is higher by \$2.9 million than the quarter ended September 30, 2015 and \$3.1 million higher compared to the nine months ended September 30, 2015.

### *Cash provided by (used in) investing activities*

Our investing activities have consisted primarily of purchases of property, equipment and software and capitalized software development costs. Purchases of property, equipment and software and capitalized software development costs may vary from period to period due to the timing of the expansion of our operations, the addition of employee headcount and the development cycles of our internal-use technology.

For the quarter ended September 30, 2016 cash used for the purchase of property and equipment and investment in software was \$1.8 million, a decrease \$1.6 million for the same period of 2015 and for the nine months ended September 30, 2016 was \$5.8 million, a decrease of \$0.2 million for the same period of 2015. We expect to continue to invest in additional property and equipment and invest in additional internal use software to support the growth in our customer base and the continued build out of our digital technology platform and new products.

### *Cash provided by (used in) financing activities*

Our financing activities have consisted primarily of the issuance of our Common Shares (the “**Common Shares**”), convertible preferred shares, debentures and borrowings from the Credit Facilities.

Cash provided by financing activities for the quarter ended September 30, 2016 was \$2.3 million, a decrease of \$8.0 million compared to \$10.4 million for the same period of 2015 and for the nine months ended September 30, 2016 was \$7.7 million, a decrease of \$54.0 million compared to \$61.7 million for the same period of 2015. The cash generated from financing



activities for the nine months period ending September 30, 2016 was lower primarily due to proceeds from our IPO during Q2 2015.

### Contractual Obligations

The following table illustrates the contractual obligations as at September 30, 2016, including commitments relating to leasing contracts:

(\$000s)

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
<b>Commitments</b>				
Accounts payable	\$ 6,615	-	-	-
Credit Facility - ST	-	25,941	-	-
Credit Facility - Liquid	-	-	21,967	-
Debentures	-	38,497	1,460	-
Total contractual obligations	6,615	64,438	23,427	-

The following table illustrates the contractual obligations as at September 30, 2015, including commitments relating to leasing contracts:

(\$000s)

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
<b>Commitments</b>				
Operating lease agreement	\$ 1,545	\$ 2,701	\$ 1,934	-
Accounts payable	7,165	-	-	-
Credit Facility - ST	-	17,983	-	-
Credit facility - Liquid	-	-	11,326	-
Debentures	-	19,428	20,645	-
Total contractual obligations	8,710	40,112	33,905	-

### Disclosure of Outstanding Shares

As of September 30, 2016, our authorized capital consists of an unlimited number of Common Shares with no stated par value. Changes in the number of Common Shares, options, restricted share units and deferred shares units outstanding are summarized as follows:

Class of Security	Number outstanding at December 31, 2015	Net issued (grants, repurchases, cancellations and exercises)	Number outstanding at September 30, 2016	Net issued (grants, repurchases, cancellations and exercises)	Number outstanding at November 09, 2016
Common Shares	18,162,432	117,778	18,280,210	-	18,280,210
Stock Options	1,505,909	698,013	2,203,922	-	2,203,922
Restricted Share Units	100,000	48,374	148,374	-	148,374
Common share purchase warrants	181,656	1,196,120	1,377,776	-	1,377,776



Our outstanding Common Shares increased by 117,778 shares during nine month ended September 30, 2016 as a result of the exercise of common share purchase options.

Our outstanding stock options increased by 698,013 during the nine months ended September 30, 2016 as a result of 953,618 options being granted less 117,778 options that were exercised and 137,827 options that were forfeited. Our outstanding restricted share units increased by 48,374 restricted share units during the nine months ended September 30, 2016 as a result of 25,000 restricted share units having expired and 73,374 restricted shares granted.

## Risk Management

### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loans receivable. The maximum amount of credit risk exposure is limited to the gross carrying amount of the loans receivable disclosed in our financial statements.

The Company acts as a lender and has little concentration of credit risk with any particular individual, company or other entity, relating to these services, however the Company is subject to a higher level of credit risk due to the credit constrained nature of many of the Company's customers and in circumstances in which they do not comply with its policies and procedures. The credit risk relates to the possibility of default of payment on the Company's loans receivable. The Company performs ongoing credit evaluations, aging of loans receivable, payment history and allows for uncollectible amounts when determinable.

The credit risk decisions on the Company's loans receivable are made in accordance with policies and procedures and are impacted by both the Company's credit policies and the lending practices, which are overseen by the Company's senior management. Credit quality of the customer is assessed based on a credit rating scorecard and individual credit limits are defined in accordance with this assessment. The consumer loans receivable are unsecured. The Company evaluates the concentration of risk with respect to customer loans receivable as low, as its customers are located in several jurisdictions and operate independently. The Company develops underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. To the extent that such historical data used to develop its underwriting models is not representative or predictive of current loan book performance, the Company could suffer increased loan losses.

The Company cannot guarantee that delinquency and loss levels will correspond with the historical levels experienced and there is a risk that delinquency and loss rates could increase significantly.

### *Currency risk*

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company currently does not actively hedge foreign currency risk and transacts in foreign currencies on a spot basis. The Company is exposed to foreign currency risk on the following financial instruments denominated in United States dollars.

(\$000s)	As at	
	September 30, 2016	December 31, 2015
Cash	\$ 70	\$ 49
Debentures	5,095	5,095

***Interest rate risk***

Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair value of other financial assets or liabilities, known as price risk. The Company is exposed to interest rate risk primarily relating to its Credit Facilities that bears interest that fluctuates with LIBOR. As at September 30 2016, LIBOR was 0.531% (December 31, 2015 – 0.430%). The Credit Facility - ST has a LIBOR floor of 2% and the Credit Facility - Liquid has a LIBOR floor of 1.5%. The minimal basis point change in LIBOR did not increase or decrease interest expense. The debentures have fixed rates of interest.

***Capital management***

Our objective in managing our capital is financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in technology, marketing and product development. Our senior management team is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support our growth strategy. The Board is responsible for overseeing this process. In order to maintain or adjust our capital structure, we may issue new shares, repurchase shares, approve special dividends or issue debt.

**Reconciliation of Non-IFRS Financial Measures**

This MD&A makes reference to certain non-IFRS financial measures. Loan originations, gross loans receivable (short-term and long-term), contribution, contribution margin, adjusted EBITDA, adjusted net income (loss), Cash provided by (used in) operating activities before investment in loans receivable and charge-off rate are all non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use non-IFRS financial measures, to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. Our management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our capital expenditure and working capital requirements. These Non-IFRS financial measures have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our results under IFRS. There are a number of limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating these non-IFRS financial measures, you should be aware that in the future we will incur expenses similar to the adjustments in this presentation.

***Gross loans receivable (short-term and long-term)***

Gross loans receivable is an IFRS measure. Gross loans receivable represents the total amount of principal and fees outstanding to our customers at the end of the period before any provision for potential future charge-offs. We segregate gross loans receivable between loans receivable – short term and gross loans receivable – long-term, both of which are non-IFRS financial measures.

We use the term “gross loans receivable – short term” to refer to loans receivable relating to our loan products having terms of less than one year, which we refer to as “short-term loan products”. The only short-term loan products offered are Mogo's Zip products which generally have terms of between 14 and 30 days. We use the term “gross loans receivable – long term” to refer to loans receivable relating to our loan products having terms of one year or more, which we refer to as “long-term loan products”. The only long-term loan products currently offered are Mogo's Mini and Liquid loan products. Mini lines of credit have a term of one year and our Liquid instalment loan products have terms of up to five years.



The following table presents a reconciliation of gross loans receivable – short term and gross loans receivable – long term to gross loans receivable, the closest comparable IFRS financial measure:

(\$000s)		As at	
		September 30, 2016	December 31, 2015
Gross loans receivable – short-term	\$	13,292	\$ 17,224
Gross loans receivable – long-term		57,696	51,111
Gross loans receivable		70,988	68,335

### Contribution and Contribution Margin

The Company defines contribution as revenue less transaction expenses, bad debt expense, funding interest expense and customer service and operations expenses. Contribution margin is calculated by dividing contribution by total revenue.

The following table presents a reconciliation of contribution and contribution margin to loss before income taxes, the most comparable IFRS financial measure for each of the periods indicated:

(\$000s, except percentages)		Three months ended September 30		Nine months ended September 30	
		2016	2015	2016	2015
Loss before income taxes	\$	(3,577)	\$ (6,803)	\$ (13,864)	\$ (15,752)
Technology and development expenses		2,688	2,134	7,637	5,371
Marketing expenses		1,229	3,656	5,467	8,214
General and administration expenses		2,318	3,008	7,953	7,294
Corporate interest expense		1,559	1,569	4,705	4,683
One-time expenses		-	-	1,506	-
Other financing expenses		(12)	5	(7)	4
Unrealized foreign exchange loss		55	437	(368)	893
Unrealized loss (gain) on derivative liability		(24)	-	(99)	-
Contribution		4,236	4,006	12,930	10,707
Revenue		12,612	11,552	38,044	31,022
Contribution Margin		33.6%	34.7%	34.0%	34.5%

### Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that we calculate as loss before income taxes excluding depreciation and amortization, stock based compensation expense, non-recurring non-operating expenses, funding interest expense, corporate interest expense, and unrealized gain or loss on financial instruments and foreign exchange.

The following table presents a reconciliation of adjusted EBITDA to loss before income taxes, the most comparable IFRS financial measure for each of the periods indicated:





(\$000s)				
	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Loss before income taxes	\$ (3,577)	\$ (6,803)	\$ (13,864)	\$ (15,752)
Depreciation and amortization	717	424	1,800	1,133
Stock-based compensation	199	396	830	553
Funding interest expense	1,589	821	4,527	2,247
Corporate interest expense	1,559	1,569	4,705	4,683
Unrealized foreign exchange loss	55	437	(368)	893
One-time expenses	-	-	1,506	-
Unrealized loss (gain) on derivative liability	(24)	-	(99)	-
Adjusted EBITDA	518	(3,156)	(963)	(6,244)

### ***Adjusted Net Income (Loss)***

Adjusted net income (loss) is a non-IFRS financial measure that we calculate as loss before income taxes excluding unrealized gain or loss on financial instruments and foreign exchange, stock based compensation and non-recurring non-operating expenses.

The following table presents a reconciliation of adjusted net income (loss) to loss before income taxes, the most comparable IFRS financial measure for each of the periods indicated:

(\$000s)				
	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Loss before income taxes	\$ (3,577)	\$ (6,803)	\$ (13,864)	\$ (15,752)
Stock-based compensation	199	396	830	553
Unrealized foreign exchange (gain) loss	55	437	(368)	893
Unrealized loss (gain) on derivative liability	(24)	-	(99)	-
Non-recurring non-operating expenses	-	-	1,506	-
Adjusted net loss	(3,347)	(5,970)	(11,995)	(14,306)





### ***Cash Provided by (Used in) Operating Activities before Investment in Gross Loans Receivable***

Cash provided by (used in) operating activities before investment in gross loans receivable is calculated as excluding net cash used in loans investment from net cash used in operating activities. We consider cash provided by (used in) operating activities before investment in gross loans receivable to be a useful measure for understanding the cash flow used in our operations excluding our investment in loans receivable on our balance sheet. Specifically, as we continue to grow our loan receivables we expect to continue to invest significant capital in this asset on our balance sheet. However, we think it is also important for investors to understand and track the point at which our operations (excluding this investment) are generating positive cash flow so that we will be required to draw less cash from our credit facilities and cash balances to fund this investment. See "Caution Regarding Forward-Looking Statements".

The following table presents a reconciliation of Cash provided by (used in) operating activities before investment in gross loans receivable, the most comparable IFRS financial measure for each of the period indicated:

(\$000s, except percentages)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Net cash used in operating activities	\$ (2,629)	\$ (19,887)	\$ (11,503)	\$ (39,365)
Increase in loans receivable	(4,685)	(19,045)	(14,773)	(39,516)
Cash provided by (used in) operations before investment in loans receivable	2,056	(842)	3,270	151

### ***Charge-Off Rate***

Charge-off rate is a non-IFRS financial measure that we calculate as the annualized rate of the current period's charge-off, net of recoveries, divided by average gross loans receivable in the period. We consider the charge-off rate in a period to be an important metric and indication of the credit performance of our loan portfolio.

The following table presents a reconciliation of charge-off rate to gross loans receivable, the most comparable IFRS financial measure for each of the periods indicated:

(\$000s, except percentages)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Charge-off net of recoveries	\$ 4,026	\$ 2,589	\$ 11,220	\$ 7,274
Gross loans receivable - opening balance	70,654	37,681	68,335	22,262
Gross loans receivable - ending balance	70,988	53,920	70,988	53,920
Simple average of the Gross loans receivable - opening/ending balance	70,821	45,801	69,662	38,091
Charge-off rate (annualized)	23%	23%	21%	25%

**Average Revenue per Member**

Average revenue per member (ARPM) is a non-IFRS financial measure that we calculate ARPM as the total revenue divided by the average number of Mogo members in the period. ARPM measures the revenue that each Mogo members contributed during the reported period. We believe the ARPM is one of the key drivers of the Company's future performance. Our goal is to continue to launch new products as we build our digital financial platform, to grow and monetize member base.

The following table presents a reconciliation of average revenue per member to revenue, the most comparable IFRS financial measure for each of the periods indicated:

(\$000s, except Mogo members and ARPM)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenue	\$ 12,612	\$ 11,552	\$ 38,044	\$ 31,022
Number of Mogo members – opening (000s)	225	124	186	76
Number of Mogo members – ending (000s)	292	158	292	158
Simple average of numbers of Mogo Members (000s)	259	141	239	117
Average revenue per member (ARPM in \$)	\$ 49	\$ 82	\$ 159	\$ 265

**Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts and disclosures in the consolidated financial statements and notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances.

These estimates and assumptions are reviewed periodically and the effect of a change in accounting estimate or assumption is recognized prospectively by including it in the Consolidated Statement of Comprehensive Loss in the period of the change and in any future periods affected.

The areas where judgments, estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements include share- based payments, as described above, and the following:

*Loans receivable*

Loans receivable are stated after evaluation as to their collectability and an appropriate allowance for loan losses is provided where considered necessary. The Company has determined the likely impairment loss on loans receivable which have not maintained the loan repayments in accordance with the loan contract or where there is other evidence of potential impairment. The methodology and assumptions used in setting the loan allowance are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

Our provision for loan losses included in the allowance consists of amounts charged to income during the period to maintain an allowance for loan losses estimated to be adequate to provide for probable credit losses inherent in our existing loan portfolio. Our allowance for loan losses represents our estimate of the expected credit losses inherent in our portfolio and is based on a variety of factors, including the composition and quality of the portfolio, loan-specific information gathered through our collection efforts, delinquency levels, our historical charge-off and loss experience, and general economic conditions.

*Capitalization of intangible assets*

In applying its accounting policy for costs incurred during the development phase for new software, the Company must determine whether the criteria for capitalization have been met. The most difficult and subjective estimate is whether a project will generate probable future economic benefits. Management considers all appropriate facts and circumstances in making this assessment including historical experience, costs and anticipated future economic conditions.

*Income taxes*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where we operate and generate taxable income.

Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry-forward items.

Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized.

The recognition of deferred tax assets requires that we assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. We consider the nature and carry-forward period of deferred tax assets, our recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on our operating results and lower future taxable income.

*Investment tax credits recoverable*

The recognition of investment tax credits recoverable requires that we assess future tax payable available to utilize the investment tax credits. We consider the carry-forward period of the investment tax credits, our recent earnings history and forecast of future earnings in performing this assessment. We determine the value of effort expended towards research and development projects that qualify for investment tax credits and calculate the estimated recoverable to be recognized. The allocation of direct salaries to qualifying projects is derived from time records and assessment by management. The actual investment tax credits claimed and realized may differ from the estimate based on the final tax returns and review by tax authorities.

*Fair value of share-based payments*

We use the Black-Scholes valuation model to determine the fair value of equity settled stock options and warrants that are treated as derivative liabilities. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate.

**Financial Instruments and Other Instruments**

We recognize financial assets and liabilities when we become party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial assets and liabilities, except for financial assets or liabilities at fair value through profit and loss, whereby the transactions costs are expensed as incurred.

**Contingencies**

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance or cash flows. See "Caution Regarding Forward-Looking Statements".

The Company has indemnified its directors and officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements, other than operating leases that have, or are likely to have, a current or future material effect on our consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

**New IFRS standards and interpretations not yet applied**

Certain new standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2016 or later periods that the Company has decided not to early adopt, and which management has not yet assessed the impact. The new IFRS standards not yet applied include:

IFRS 9, Financial Instruments, is part of the IASB's wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of the amendment on its financial statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2018, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its financial statements.

IFRS 16 - Leases replaces IAS 17 - Leases and requires lessees to account for leases on balance sheet by recognizing a right of use asset and a lease liability. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

**Accounting standards and amendments adopted**

We adopted the following new accounting standards and amendments; they are effective for our interim and annual consolidated financial statements commencing January 1, 2016. These changes did not have a material impact on our financial results.

Amendments to IAS 1, Presentation of Financial Statements. In December 2014, the IASB issued an amendment to this standard to provide guidance on the application of professional judgement in determining what information to disclose and how to structure it in the financial statements.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets. In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods is inappropriate.



## Controls and Procedures

### *Disclosure Controls and Procedures*

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The CEO and CFO have evaluated the design of the Company's disclosure controls and procedures at the end of the quarter and based on the evaluation, the CEO and CFO have concluded that the disclosure controls and procedures are effectively designed.

### *Internal Controls over Financial Reporting*

The Company's internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate ICFR for the Company. Management, including the CEO and CFO, does not expect that the Company's ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation. National Instrument 52-109 of the Canadian Securities Administrators requires the CEO and CFO to certify that they are responsible for establishing and maintaining ICFR for the Company and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. The Company's management under the supervision of the CEO and CFO has evaluated the design of the Company's ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at September 30, 2016, management assessed the design of the Company's ICFR and concluded that such ICFR is appropriately designed and that there are no material weaknesses in the Company's ICFR that have been identified by management. There have been no changes in the Company's internal control over financial reporting during the period that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

## Risk Factors

Investing in our Common Shares involves significant risks. You should carefully consider the risks described under the "Risk Factors" section of the Management's Discussion and Analysis relating to our annual financial statements for the year ended December 31, 2015 available at [www.SEDAR.com](http://www.SEDAR.com), which risk factors are incorporated herein by reference, which are qualified in their entirety by reference to, and must be read in conjunction with, the information appearing elsewhere in this MD&A. The risks and uncertainties described are those we currently believe to be material, but they are not the only ones we face. If any of those risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the trading price of our Common Shares could decline and investors holding our Common Shares could lose part or even all of their investment.