MOGO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2022

DATED: MARCH 23, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("**MD&A**") is current as of March 23, 2023, and presents an analysis of the financial condition of Mogo Inc. (formerly Difference Capital Financial Inc.) and its subsidiaries (collectively referred to as "**Mogo**" or the "**Company**") as at and for the three months and year ended December 31, 2022 compared with the corresponding periods in the prior year. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and the related notes thereto for the year ended December 31, 2022. The financial information presented in this MD&A is derived from our audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The Company was continued under the Business Corporations Act (British Columbia) on June 21, 2019, in connection with the business combination with Mogo Finance Technology Inc. ("**Mogo Finance**"). The transaction was accounted for as a business combination, with Mogo Finance as the accounting acquirer. Accordingly, the consolidated financial statements and this MD&A reflect the continuing financial statements of Mogo Finance.*

*This MD&A is the responsibility of management. The board of directors of Mogo (the "**Board**") has approved this MD&A after receiving the recommendation of the Company's Audit Committee, which is comprised exclusively of independent directors, and the Company's Disclosure Committee.*

Unless otherwise noted or the context indicates otherwise "we", "us", "our", the "Company" or "Mogo" refer to Mogo 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 are subject to copyright, 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 annual consolidated financial statements, annual information form and annual report on Form 20-F can be found on SEDAR at **www.sedar.com**, with the Company's filings with the United States Securities and Exchange Commission at **www.sec.gov**, and on the Company's website at **www.mogo.ca**.*

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. These measures are provided as additional information to complement the IFRS financial measures contained herein by providing further metrics to understand 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. Wade use non-IFRS financial measures, including contribution, adjusted EBITDA and adjusted net loss 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 also use 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 "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 "outlook", "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 (including our financial outlook) regarding its revenue, expenses and operations, key performance indicators, provision for loan losses (net of recoveries), anticipated cash needs and its need for additional financing, completion of announced transactions, funding costs, ability to extend or refinance any outstanding amounts under the Company's credit facility, ability to protect, maintain and enforce its intellectual property, plans for and timing of expansion of its product and services, future growth plans, ability to attract new members 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 consumers and the marketplace of new technologies and solutions.

Forward-looking statements, including our financial outlook, 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 and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Our financial outlook is intended to provide further insight into our expectations for results in 2023 and may not be appropriate for other purposes. This outlook involves numerous assumptions, particularly around member growth and take up of products and services, and we believe it is prepared on a reasonable basis reflecting management's best estimates and judgements. However, given the inherent risks, uncertainties and assumptions, any investors or other 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 current annual information form available at **www.sedar.com** and at **www.sec.gov**, which risk factors are incorporated herein by reference.

The forward-looking statements made in this MD&A relate only to events or information as of the date of 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 of these forward-looking statements to reflect events or circumstances after the date of this MD&A, including 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.

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Company Overview

Mogo, one of Canada's leading digital finance companies, is empowering its members with simple digital solutions to help them build wealth and achieve financial freedom. Mogo's stock trading app, MogoTrade, offers Canadians the simplest and lowest cost way to invest while making a positive impact with every investment. Together with Moka, Mogo's wholly-owned subsidiary bringing automated, fully-managed flat-fee investing to Canadians, they form the heart of Mogo's digital wealth platform. Mogo also offers digital loans and mortgages. Through Mogo's wholly-owned subsidiary, Carta Worldwide, we also offer a digital payments platform that powers next-generation card programs for both established global corporations and innovative fintech companies in Europe and Canada. To learn more, please visit mogo.ca or download the mobile app (iOS or Android).

Mission

Mogo's mission is to make it easy and engaging for consumers to get financially fit and live a more sustainable lifestyle.

The following key corporate changes, transactions and material contracts are referred to, and assist in understanding this MD&A:

Business Developments

- During the year ended December 31, 2022, Mogo continued to focus on accelerating the path to profitability by placing an emphasis on cost efficiency and building financial resiliency in light of challenging financial market conditions. The following cost reduction initiatives were implemented in 2022:

    - An approximate 33% reduction in workforce headcount as at December 31, 2022 compared to March 31, 2022.
    - A reduction in vendor expenses by all departments.
    - Completed the exit of Moka France during Q4 2022.
    - Completed the exit of Mogo's bitcoin product ("**MogoCrypto**").

  As a result of these initiatives, total quarterly operating expenses decreased by $9.2 million from Q1 2022 to Q4 2022 and resulted in Mogo reporting its first positive quarterly adjusted EBITDA[(1)] since FY 2020 of $0.2 million in Q4 2022.

- In 2023, Mogo launched the MogoTrade app in Quebec making it available in both English and French languages and increasing our total addressable market opportunity by approximately 28%. MogoTrade remains available by invitation only.

- In March 2023, Mogo amended its marketing collaboration agreement with Postmedia Network Inc. ("**Postmedia**") and extended the agreement until December 31, 2024. Postmedia is a Canadian news media company representing more than 130 brands across multiple print, online and mobile platforms.

- Mogo's digital payment solutions business, Carta Worldwide, processed over $2.2 billion of payments volume in Q4 2022 which was up over 20% sequentially from Q3 2022.

- In December 2022, Mogo repurchased 1.0 million of its own common shares ("**Common Shares**") for a total cost of $0.7 million at an average price of CAD$0.67 per share. In June 2022, Mogo repurchased 0.8 million of its own Common Shares for a total cost of $1.0 million at an average price of CAD$1.19 per share. The repurchases are pursuant to a share repurchase program approved by the Board on March 22, 2022, which authorizes the repurchase of up to US$10 million of Common Shares in the aggregate.

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

- On October 13, 2022, Mogo announced that Coinsquare Ltd. ("**Coinsquare**"), a company in which Mogo is an approximate 34% shareholder as at December 31, 2022, received approval from the Investment Industry Regulatory Organization of Canada ("**IIROC**") for its investment dealer registration and IIROC membership through its wholly-owned subsidiary Coinsquare Capital Markets Ltd ("**CCML**"). With CCML being IIROC regulated, clients will now have the added comfort and security of knowing that Coinsquare is subject to the highest level of dealer compliance and oversight available under a Canadian regulatory regime.

- During Q4 2022, Mogo monetized its digital assets investment for proceeds of $0.6 million, along with the exit of MogoCrypto. As at December 31, 2022, Mogo's sole remaining crypto exposure is comprised of its investment in Canada's first IIROC registered crypto dealer Coinsquare along with certain smaller crypto-related investments in our investment portfolio.

- In March 2022, Mogo announced the formation of Mogo Ventures to manage Mogo's portfolio of investments, including its $25.0 million investment in Coinsquare and its $12.5 million investment portfolio as at December 31, 2022.

- Between April and June 2021, in a series of transactions, Mogo acquired approximately 12.5 million shares (representing 34% as at December 31, 2022) of Coinsquare, one of Canada's leading digital asset trading platforms, along with certain option and warrant rights, for total consideration of approximately $110.2 million, comprised of $32.4 million in cash and the issuance of 8.3 million Common Shares. On October 16, 2022, the Coinsquare warrants expired unexercised.

- In September 2021, Mogo completed the acquisition of Fortification Capital Inc. ("**Fortification**"), subsequently renamed MogoTrade Inc., a Canadian registered investment dealer and a member of IIROC. The acquisition of Fortification brought the necessary licenses, registration and technology – including an order management system and market data processing – to accelerate the development of MogoTrade.

- In May 2021, Mogo completed the acquisition of Moka, one of Canada's leading saving and investing apps, for approximately 5.0 million Common Shares. The acquisition increased Mogo's member base and brought differentiated saving and investing products, along with the underlying technology platform and expertise to further broaden Mogo's wealth offering.

- In January 2021, Mogo completed the acquisition of Carta Solutions Holding Corporation ("**Carta**"), a leader in digital payment solutions. The acquisition added a business-to-business payments platform to the Company and significantly expanded Mogo's total addressable market by entering the global payments market which is expected to reach $2.5 trillion by 2025. Carta's issuing platform provides processing technology to industry leaders in Europe, Asia, Canada, United States and Japan.

Financial Highlights

- Beginning in Q2 2022, Mogo focused on accelerating its path to profitability by placing an emphasis on cost efficiency and building financial resiliency. As a result of these initiatives, total quarterly operating expenses decreased by $9.2 million from Q1 2022 to Q4 2022 and resulted in Mogo reporting its first positive quarterly adjusted EBITDA(1) since FY 2020 of $0.2 million in Q4 2022.

- Ended 2022 with cash and total investments of $68.4 million. This included combined cash and restricted cash of $30.8 million, investment portfolio of $12.5 million, and a book value of Mogo's 34% ownership in in Canadian Crypto Investment Dealer Coinsquare, of $25.0 million.

- During 2022, the Company recorded non-cash impairment charges of $58.3 million on its investment in Coinsquare, $31.8 million on goodwill and $6.5 million on intangible assets related to MogoCrypto, legacy MogoApp and MogoCard. The impairment charges to Coinsquare and goodwill were driven by recent broader equity and cryptocurrency market declines during the year.

- Between December 2020 and December 2021, Mogo raised a total of approximately $113.3 million in aggregate net proceeds through the issuance of 12.9 million Common Shares and warrants to purchase up to 5.8 million Common Shares.

- In December 2021, Mogo announced amendments to its existing senior credit facility (the "**Credit Facility**") with funds managed by affiliates of Fortress Investment Group LLC. The amendments changed the effective interest rate from a maximum of 9% plus LIBOR with a LIBOR floor of 1.5% to 8% plus LIBOR with no floor. In addition, the amendments increased the available loan capital from $50 million to $60 million and extended the maturity date by three years from July 2, 2022 to July 2, 2025.

Financial Outlook

- For fiscal 2023, the Company reiterates its previous guidance on cost reduction of 25-35% for operating expenses over the next several quarters, relative to our Q3 2022 operating expenses. In addition to the winddown of MogoCrypto and exit from Moka France in Q4 2022, Mogo plans to sunset its legacy MogoApp including MogoCard, as part of its goal to simplify to one app and eliminate unprofitable or subscale business segments. Consistent with its previous guidance, Mogo expects its quarterly revenue in the near term will be impacted by 10-15% as a result of these restructuring initiatives.

- For fiscal 2023, the Company will continue to focus on accelerating its path to profitability with a specific focus on increasing its Adjusted EBITDA. Specifically, for 2023 Mogo is focused on achieving:

  - Full-year adjusted EBITDA of $6.0 million to $8.0 million;

  - Exiting 2023 with an annual Adjusted EBITDA run rate of $10.0 million to $14.0 million (based on a Q4 2023 Adjusted EBITDA target of $2.5 million to $3.5 million).

(1) For more information regarding our use of these non-IFRS measures and, where applicable, a reconciliation to the most comparable IFRS measure, see "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 consist of: Mogo members, revenue, subscription and services revenue, net (loss) income, contribution[(1)], adjusted EBITDA[(1)], and adjusted net loss[(1)]. We evaluate our performance by comparing our actual results to prior period results.

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

	As at		
	December 31, 2022	**December 31, 2021**	**Change %**
Key Business Metrics			
Mogo Members (000s)	1,993	1,852	8%

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	**December 31, 2021**	**Change %**	**December 31, 2022**	**December 31, 2021**	**Change %**
IFRS Measures						
Revenue	$ 17,146	$ 16,995	1%	$ 68,949	$ 57,519	20%
Subscription and services revenue	10,343	10,701	(3)%	41,741	34,408	21%
Net (loss) income	(74,943)	(29,625)	153%	(165,678)	(33,209)	399%
Other Key Performance Indicators[(1)]						
Contribution	7,340	7,624	(4)%	27,511	28,716	(4)%
Adjusted EBITDA	248	(3,656)	(107)%	(12,227)	(11,113)	10%
Adjusted net loss	(4,261)	(9,749)	(56)%	(32,863)	(33,051)	(1)%

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

Mogo members

Our total member base grew to 1,993,000 members as at December 31, 2022, from 1,852,000 members as at December 31, 2021, representing an increase of approximately 8% or 141,000 net members. Quarter over quarter, net members decreased by 68,000 in Q4 2022 as a result of the net Mogo members increase of 34,000 offset by the 102,000 member loss from the wind down of Moka France. The growth in our member base reflects the continued adoption of our products by new members. In the second half of 2022, Mogo focused on performance marketing expenses that drove more efficient payback periods. As a result of these changes, Mogo ultimately expects better profitability despite a decrease in quarterly member growth since the start of 2022.

Revenue

Three months ended Q4 2022 vs Q4 2021

Total revenue increased by 1% to $17.1 million for the three months ended December 31, 2022 compared to $17.0 million in the same period last year. We have achieved steady revenue in 2022 while reducing operating expenses in each quarter. There was a $0.5 million increase in interest revenue as the overall size of our loan portfolio has increased relative to the same period last year. This increase was offset by a $0.4 million decrease in subscription and services revenue, which was impacted by the implementation of the restructuring plan and its impact on certain sub-scale revenue streams.

Year ended 2022 vs 2021

Total revenue increased by 20% to $68.9 million for the year ended December 31, 2022 compared to $57.5 million in the same period last year. This increase in revenue was driven by a $7.3 million increase in subscription and services revenue, resulting from a combination of additional revenue streams from our acquisitions of Carta, Moka and Fortification in 2021 and growth in other Mogo products. In addition, there was a $4.1 million increase in interest revenue as the overall size of our loan portfolio has increased relative to the same period last year.

Subscription and services revenue

Three months ended Q4 2022 vs Q4 2021

Subscription and services revenue decreased by 3% to $10.3 million for the three months ended December 31, 2022 compared to $10.7 million in the same period last year. Subscription and services revenue represents 60% of total quarterly revenue in the current period as compared to 63% in the same period last year. The decrease was driven by the implementation of the restructuring plan during the quarter and its impact on sub-scale revenue streams.

Year ended 2022 vs 2021

Subscription and services revenue increased by 21% to $41.7 million for the year ended December 31, 2022 compared to $34.4 million in the same period last year. Subscription and services revenue represents 61% of total revenue in the current period as compared to 60% in the same period last year. The increase was driven by the timing of the Moka and Fortification acquisitions during 2021, along with the increase in Mogo loan subscription and services revenues as the overall size of our loan portfolio has increased relative to the same period last year.

Net (loss) income

Three months ended Q4 2022 vs Q4 2021

Net loss was $74.9 million for the three months ended December 31, 2022, which is an increase in net loss of $45.3 million compared to net loss of $29.6 million in the same period last year.

The variance is primarily driven by changes in non-cash gains and losses arising from impairment charges of $31.8 million to goodwill, a $31.5 million impairment charge on our investment in Coinsquare, a $4.7 million increase in our share of Coinsquare's net loss, a $5.4 million impairment charge to legacy MogoApp and MogoCard related intangible assets and a $1.5 million increase in unrealized loss on investment portfolio. These losses have primarily resulted from recent broader equity and cryptocurrency declines during the period. These losses were partially offset by $22.0 million decrease in unrealized loss on revaluation of Coinsquare warrants as these warrants expired in the current year.

Partially offsetting the above is the realization of cost initiatives implemented as part of the restructuring plan. These initiatives have resulted in a $7.5 million improvement in loss from operations to $3.8 million for the three months ended December 31, 2022 from $11.3 million in the same period last year.

Year ended 2022 vs 2021

Net loss was $165.7 million for the year ended December 31, 2022, which is an increase in net loss of $132.5 million compared to net loss of $33.2 million in the same period last year.

The increase in net loss for the year ended December 31, 2022 was primarily attributed to the same non-cash items noted for the three months ended December 31, 2022. These non-cash gains and losses included a $31.8 million impairment charge to goodwill, a $58.3 million impairment charge on our investment in Coinsquare, a $20.3 million increase in our share of Coinsquare's net loss, a $11.2 million increase in unrealized loss on investment portfolio, a $6.5 million impairment charge to MogoCrypto, MogoCard and legacy MogoApp related intangible assets and a $9.7 million increase in unrealized loss on Coinsquare warrants.

Partially offsetting the above is a $1.9 million improvement in loss from operations to $33.6 million for the year ended December 31, 2022 from $35.5 million in the same period last year. This is improvement is the net impact of realization of cost initiatives implemented as part of the restructuring plan partially offset by an increase in provision for loan losses during the year. Loan losses in the comparative period were abnormally low due to increased customer liquidity aided by government subsidy programs available in response to the COVID-19 pandemic. Furthermore, an incremental provision was recorded in 2022 to reflect forward-looking macroeconomic indicators including the increase inflation and rising interest rates.

Contribution[(1)]

Three months ended Q4 2022 vs Q4 2021

Contribution was $7.3 million for the three months ended December 31, 2022, which is a decrease of $0.3 million compared to $7.6 million in the same period last year. The decrease in contribution compared to the same period in the prior year was primarily driven by an increase to credit facility interest expense of $0.3 million.

Year ended 2022 vs 2021

Contribution was $27.5 million for the year ended December 31, 2022, which is a decrease of $1.2 million compared to $28.7 million in the same period last year. The decrease in contribution compared to the same period in the prior year was primarily due to an increase in customer service and operations expense of $0.6 million due to the timing of acquisition of Moka and increase in credit facility interest expense of $0.5 million due to rising interest rates.

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

Adjusted EBITDA[(1)]

Three months ended Q4 2022 vs Q3 2022

Adjusted EBITDA was $0.2 million for the three months ended December 31, 2022, which is a $3.1 million improvement from the adjusted EBITDA loss of $2.8 million for the three months ended September 30, 2022. The improvement is primarily attributable to certain cost reduction initiatives implemented in 2022 as described above in the "Business Developments" section, resulting in a 16% reduction in operating expenditures in Q4 2022 compared to Q3 2022.

Three months ended Q4 2022 vs Q4 2021

Adjusted EBITDA was $0.2 million for the three months ended December 31, 2022, which is a $3.9 million improvement from the adjusted EBITDA loss of $3.7 million in the same period last year. The improvement in adjusted EBITDA was primarily driven by a $8.0 million reduction in operating expenditures arising from the realization of cost initiatives implemented in 2022.

Year ended 2022 vs 2021

Adjusted EBITDA loss was $12.2 million for the year ended December 31, 2022, which is a $1.1 million increase in loss compared to the adjusted EBITDA loss of $11.1 million in the same period last year. The increase in loss was driven by higher growth-related operating expenses in the first quarter of 2022 relative to the first quarter of 2021 partially offset by the cost reduction initiatives implemented in 2022.

Adjusted net loss[(1)]

Three months ended Q4 2022 vs Q4 2021

Adjusted net loss was $4.3 million for the three months ended December 31, 2022, which is a $5.4 million improvement compared to an adjusted net loss of $9.7 million in the same period last year. The increase in adjusted net loss was attributed primarily to the same reasons noted above in the adjusted EBITDA variance.

Year ended 2022 vs 2021

Adjusted net loss was $32.9 million for the year ended December 31, 2022, which is a decrease in loss of $0.2 million compared to an adjusted net loss of $33.1 million in the same period last year. The decrease in adjusted net loss was attributed primarily a $1.2 million decrease in credit facility and debenture expense partially offset by to the same reasons noted above in the adjusted EBITDA variance.

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

Non-IFRS Financial Measures

This MD&A makes reference to certain non-IFRS financial measures. Contribution, adjusted EBITDA and adjusted net loss are 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 continue to incur expenses similar to those adjusted in these non-IFRS financial measures.

Contribution

Contribution is a non-IFRS financial measure that we calculate as gross profit less the customer service and operations expense and credit facility interest expense. Contribution is a measure used by our management and the Board to understand and evaluate our core operating performance and trends and to evaluate the variable profit contribution of our revenue before the impact of investment related spend and overhead including technology, marketing and general and administration expenses. Factors that affect our contribution include revenue mix, transaction costs, and provision for loan losses, net of recoveries, origination and servicing expenses.

The following table presents a reconciliation of contribution to gross profit, the most comparable IFRS financial measure, for each of the periods indicated:

($000s)

	Three months ended		Year ended	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Gross profit	$ 11,743	$ 12,293	$ 46,240	$ 46,039
Less:				
Customer service and operations	3,040	3,588	14,089	13,214
Credit facility interest expense	1,363	1,081	4,640	4,109
Contribution	7,340	7,624	27,511	28,716

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure that we calculate as net (loss) income before tax excluding depreciation and amortization, stock-based compensation, credit facility interest expense, debenture and other financing expense, accretion related to debentures and convertible debentures, share of (income) loss in investment accounted for using the equity method, revaluation loss (gain), impairment of investment accounted for using the equity method, impairment of goodwill and other non-operating expense. Adjusted EBITDA is a measure used by management and the Board to understand and evaluate our core operating performance and trends.

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

($000s)

	Three months ended		Year ended	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Net loss before tax	$ (75,030)	$ (29,885)	$ (166,014)	$ (33,441)
Depreciation and amortization	3,166	3,682	12,636	12,736
Stock-based compensation	835	3,919	8,712	11,683
Credit facility interest expense	1,363	1,081	4,640	4,109
Debenture and other financing expense	(335)	1,014	2,111	3,841
Accretion related to debentures and convertible debentures	315	316	1,249	1,252
Share of (income) loss in investment accounted for using the equity method	(372)	(5,076)	20,569	278
Revaluation (gain) loss	(906)	19,817	3,489	(15,671)
Impairment of investment accounted for using the equity method	31,514	—	58,263	—
Impairment of goodwill	31,758	—	31,758	—
Other non-operating expense	7,940	1,476	10,360	4,100
Adjusted EBITDA	248	(3,656)	(12,227)	(11,113)

Adjusted net loss

Adjusted net loss is a non-IFRS financial measure that we calculate as net (loss) income before tax excluding stock-based compensation, share of (income) loss in investment accounted for using equity method, revaluation loss (gain), impairment of investment accounted for using the equity method, impairment of goodwill and other non-operating expense. This measure differs from adjusted EBITDA in that adjusted net loss includes depreciation and amortization, credit facility interest expense and debenture and other financing expense, and thus comprises more elements of the Company's overall net profit or loss. Adjusted net loss is a measure used by management and the Board to evaluate the Company's core financial performance.

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

($000s)

	Three months ended		Year ended	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Net loss before tax	$ (75,030)	$ (29,885)	$ (166,014)	$ (33,441)
Stock-based compensation	835	3,919	8,712	11,683
Share of (income) loss in investment accounted for using the equity method	(372)	(5,076)	20,569	278
Revaluation (gain) loss	(906)	19,817	3,489	(15,671)
Impairment of investment accounted for using the equity method	31,514	—	58,263	—
Impairment of goodwill	31,758	—	31,758	—
Other non-operating expense	7,940	1,476	10,360	4,100
Adjusted net loss	(4,261)	(9,749)	(32,863)	(33,051)

Mogo members

Mogo members is not a financial measure. Mogo members refers to the number of individuals who have signed up for one or more of our products and services including: MogoMoney, MogoMortgage, MogoTrade, Moka services, our premium account subscription offerings, unique content, or events. People cease to be Mogo members if they do not use any of our products or services for 12 months and have a deactivated account. Reported Mogo members may overstate the number of unique individuals who actively use our products and services within a 12-month period, as one individual may register for multiple accounts whether inadvertently or in a fraudulent attempt. Customers are Mogo members who have accessed one of our revenue generating products, including MogoMoney, MogoMortgage, MogoTrade, Moka services and our premium account subscription offerings. 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.

Results of Operations

The following table sets forth a summary of our results of operations for the three months and year ended December 31, 2022 and 2021:

($000s, except per share amounts)

	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Total revenue	$ 17,146	$ 16,995	$ 68,949	$ 57,519
Cost of revenue	5,403	4,702	22,709	11,480
Gross profit	11,743	12,293	46,240	46,039
Technology and development	3,139	2,881	12,973	10,667
Marketing	1,035	4,230	11,208	15,629
Customer service and operations	3,040	3,588	14,089	13,214
General and administration	4,281	5,250	20,197	17,642
Stock-based compensation	835	3,919	8,712	11,683
Depreciation and amortization	3,166	3,682	12,636	12,736
Total operating expenses	15,496	23,550	79,815	81,571
Loss from operations	(3,753)	(11,257)	(33,575)	(35,532)
Credit facility interest expense	1,363	1,081	4,640	4,109
Debenture and other financing expense	(335)	1,014	2,111	3,841
Accretion related to debentures and convertible debentures	315	316	1,249	1,252
Share of (income) loss in investment accounted for using the equity method	(372)	(5,076)	20,569	278
Revaluation (gain) loss	(906)	19,817	3,489	(15,671)
Impairment of investment accounted for using the equity method	31,514	—	58,263	—
Impairment of goodwill	31,758	—	31,758	—
Other non-operating expense	7,940	1,476	10,360	4,100
	71,277	18,628	132,439	(2,091)
Net loss before tax	(75,030)	(29,885)	(166,014)	(33,441)
Income tax recovery	(87)	(260)	(336)	(232)
Net loss	(74,943)	(29,625)	(165,678)	(33,209)
Other comprehensive income:				
Unrealized revaluation gain (loss) on digital assets	—	71	(468)	468
Foreign currency transaction reserve (loss) gain	(783)	126	101	458
Other comprehensive (loss) income	(783)	197	(367)	926
Total comprehensive loss	(75,726)	(29,428)	(166,045)	(32,283)
Contribution(1)	7,340	7,624	27,511	28,716
Adjusted EBITDA(1)	248	(3,656)	(12,227)	(11,113)
Adjusted net loss(1)	(4,261)	(9,749)	(32,863)	(33,051)
Net loss per share (basic)	(0.99)	(0.41)	(2.17)	(0.53)
Net loss per share (diluted)	(0.99)	(0.41)	(2.17)	(0.53)

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

Key Income Statement Components

Total revenue

The following table summarizes total revenue for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	Change %	December 31, 2022	December 31, 2021	Change %
Subscription and services revenue	$ 10,343	$ 10,701	(3)%	$ 41,741	$ 34,408	21%
Interest revenue	6,803	6,294	8%	27,208	23,111	18%
Total revenue	17,146	16,995	1%	68,949	57,519	20%

Subscription and services revenue – represents Carta transaction processing revenue, Moka subscriptions, MogoCard revenue, MogoMortgage brokerage commissions, premium account revenue, net loan protection premiums, partner lending fees, portfolio management fees, exempt market dealer commission revenue, referral fee revenue and other fees and charges.

Interest revenue - represents interest on our line of credit loan products.

Please refer to the "Key Performance Indicators" section for commentary on total revenue and subscription and services revenue.

Cost of revenue

The following table summarizes the cost of revenue for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	Change %	December 31, 2022	December 31, 2021	Change %
Provision for loan losses, net of recoveries	$ 3,224	$ 3,088	4%	$ 14,730	$ 7,540	95%
Transaction costs	2,179	1,614	35%	7,979	3,940	103%
Cost of revenue	5,403	4,702	15%	22,709	11,480	98%
As a percentage of total revenue	32%	28%		33%	20%	

Cost of revenue consists of provision for loan losses, net of recoveries, and transaction costs. Provision for loan losses, net of recoveries, represents the amounts charged against income during the period to maintain an adequate allowance for loan losses. Our allowance for loan losses represents our estimate of the expected credit losses ("**ECL**") inherent in our portfolio and is based on various factors including the composition of the portfolio, delinquency levels, historical and current loan performance, expectations of future performance, and general economic conditions.

Transaction costs are expenses that relate directly to the onboarding and processing of new customers (excluding marketing), including expenses such as credit scoring fees, loan system transaction fees and certain fees related to the MogoCard and MogoProtect programs, transaction processing costs related to the Carta business and other transaction costs related to Moka and Fortification.

Cost of revenue was $5.4 million for the three months ended December 31, 2022, an increase of $0.7 million compared to the same period in the prior year. Cost of revenue was $22.7 million for the year ended December 31, 2022, an increase of $11.2 million compared to the same period last year.

Provision for loan losses, net of recoveries, has increased for the three months and year ended December 31, 2022 compared to the same periods in the prior year. This increase is due to overall growth in the size of the loan portfolio, lower default rates in the comparative period, and an incremental provision recorded in Q4 2022 to reflect forward looking macroeconomic indicators including the rise in interest rates and inflation.

Transaction costs have increased for the three months and year ended December 31, 2022 compared to the same periods in the prior year. This increase is due to transaction costs incurred by Carta, Moka and Fortification after their acquisitions in 2021.

We believe we are adequately provisioned to absorb reasonably possible future material shocks to the loan book as a result of inflation and rising interest rates. Please note that IFRS 9 requires the use of forward-looking indicators when measuring ECL, which can result in upfront recognition of expenses prior to any actual occurrence of a default event. We have applied a probability weighted approach in applying these forward-looking indicators to measure incremental ECL. This approach involved multiple stress scenarios and a range of potential outcomes. Factors considered in determining the range of ECL outcomes include varying degrees of possible length and severity of a recession, the effectiveness of collection strategies implemented to assist customers experiencing financial difficulty, and the level of loan protection insurance held by customers within our portfolio. We will continue to revisit assumptions under this methodology in upcoming quarters as economic conditions evolve.

Technology and development expenses

The following table provides the technology and development expenses for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	Change %	December 31, 2022	December 31, 2021	Change %
Technology and development	$ 3,139	$ 2,881	9%	$ 12,973	$ 10,667	22%
As a percentage of total revenue	18%	17%		19%	19%	

Technology and development expenses consist primarily of personnel and related costs of our product development, business intelligence, and information technology infrastructure employees. Associated expenses include third-party data acquisition expenses, professional services, expenses related to the development of new products and technologies and maintenance of existing technology assets.

Technology and development expenses were $3.1 million for the three months ended December 31, 2022, which is an increase of $0.2 million compared to $2.9 million in the same period last year. Technology and development expenses were $13.0 million for the year ended December 31, 2022, which is an increase of $2.3 million compared to $10.7 million in the same period last year. The increase is due to higher spend in the current year relative to the prior year in order to accelerate key growth initiatives, including the development of MogoTrade.

MogoTrade and Moka form the core of our digital wealth platform. We believe our investments in their development will strengthen Mogo’s product service offerings and drive long-term member and revenue growth. Further, we believe that these strategic investments are key to unlocking and integrating the full potential of Mogo’s value proposition to consumers and will create a holistic and comprehensive user experience that positions us to drive long-term growth and user adoption.

Marketing expenses

The following table provides the marketing expenses for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	Change %	December 31, 2022	December 31, 2021	Change %
Marketing	$ 1,035	$ 4,230	(76)%	$ 11,208	$ 15,629	(28)%
As a percentage of total revenue	6%	25%		16%	27%	

Marketing expenses consist of salaries and personnel-related costs, direct marketing and advertising costs related to online and offline customer acquisition (paid search advertising, search engine optimization costs, and direct mail), quarterly payments to Postmedia Network Inc. under our strategic collaboration agreement, public relations, promotional event programs and corporate communications.

Marketing expenses were $1.0 million for the three months ended December 31, 2022, which is a decrease of $3.2 million compared to $4.2 million in the same period last year. Marketing expenses were $11.2 million for the year ended December 31, 2022, which is a decrease of $4.4 million compared to $15.6 million in the same period last year. During 2022, there was a reduction in marketing expenses to focus on more efficient marketing channels that drive shorter payback periods.

Customer service and operations expenses

The following table provides the customer service and operations ("**CS&O**") expenses for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	Change %	December 31, 2022	December 31, 2021	Change %
Customer service and operations	$ 3,040	$ 3,588	(15)%	$ 14,089	$ 13,214	7%
As a percentage of total revenue	18%	21%		20%	23%	

CS&O expenses consist primarily of salaries and personnel-related costs for customer support, payment processing and collections employees. Associated expenses include third-party expenses related to credit data sources and collections.

CS&O expenses were $3.0 million for the three months ended December 31, 2022, which is a decrease of $0.6 million compared to $3.6 million in the same period last year. The decrease is due to certain cost reduction initiatives implemented in 2022 as described above in the "Business Developments" section.

CS&O expenses were $14.1 million for the year ended December 31, 2022, which is an increase of $0.9 million compared to $13.2 million in the same period last year. This increase is primarily attributable to the increase in customer support functions brought on through our acquisition of Moka in 2021, as well as higher underwriting expenses and servicing costs arising from growth in the loan portfolio in the first half of 2022.

General and administration expenses

The following table provides the general and administration **("G&A")** expenses for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	**December 31, 2021**	**Change %**	**December 31, 2022**	**December 31, 2021**	**Change %**
General and administration	$ 4,281	$ 5,250	(18)%	$ 20,197	$ 17,642	14%
As a percentage of total revenue	25%	31%		29%	31%	

G&A expenses consist primarily of salary and personnel related costs for our corporate, finance and accounting, credit analysis, underwriting, legal and compliance, fraud detection and human resources employees. Additional expenses include consulting and professional fees, insurance, legal fees, occupancy costs, travel and other corporate expenses.

G&A expenses were $4.3 million for the three months ended December 31, 2022, which is a decrease of $1.0 million compared to the same period last year. The decrease is due to certain cost reduction initiatives implemented in 2022 as described above in the "Business Developments" section.

G&A expenses were $20.2 million for the year ended December 31, 2022, which is an increase of $2.6 million compared to the same period last year. The increase is primarily due to increased costs resulting from the timing of acquisitions of Carta, Moka and Fortification in 2021.

Stock-based compensation and depreciation and amortization

The following table summarizes the stock-based compensation and depreciation and amortization. Expenses for the three months and year ended December 31, 2022 and 2021 were as follows:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	**December 31, 2021**	**Change %**	**December 31, 2022**	**December 31, 2021**	**Change %**
Stock-based compensation	$ 835	$ 3,919	(79)%	$ 8,712	$ 11,683	(25)%
Depreciation and amortization	3,166	3,682	(14)%	12,636	12,736	(1)%
	4,001	7,601	(47)%	21,348	24,419	(13)%
As a percentage of total revenue	23%	45%		31%	42%	

Stock-based compensation represents the fair value of stock options granted to employees and directors measured using the Black Scholes valuation model and amortized over the vesting period of the options. Depreciation and amortization is principally related to the amortization of intangible assets relating to internally capitalized development costs related to our technology platform, and technology, licenses and customer relationships acquired in the acquisitions of Carta, Moka and Fortification in 2021. Stock-based compensation and depreciation and amortization are all non-cash expenses.

Stock-based compensation decreased to $0.8 million in the three months ended December 31, 2022 compared to $3.9 million in the same period last year. Stock-based compensation decreased to $8.7 million in the year ended December 31, 2022 compared to $11.7 million in the same period last year. The decrease in stock-based compensation is driven by a higher number of options forfeited as a result of the restructuring plan implemented in 2022. In addition, for the year ended December 31, 2021, there was a greater number of options being granted at higher fair values than the current year.

Depreciation and amortization decreased to $3.2 million in the three months ended December 31, 2022 compared to $3.7 million in the same period last year. Depreciation and amortization decreased to $12.6 million in the year ended December 31, 2022 compared to $12.7 million in the same period last year. The decreases are driven by changes to the amortization of intangible assets recognized in the acquisition of Carta, Moka and Fortification, along with the impairment of MogoCrypto intangible assets in Q3 2022.

Credit facility interest expense

The following table provides a breakdown of credit facility interest expense for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	**December 31, 2021**	**Change %**	**December 31, 2022**	**December 31, 2021**	**Change %**
Credit facility interest expense	$ 1,363	$ 1,081	26%	$ 4,640	$ 4,109	13%
As a percentage of total revenue	8%	6%		7%	7%	

Credit facility interest expense relates to the costs incurred in connection with our Credit Facility. It includes interest expense and the amortization of deferred financing costs.

Credit facility interest expense increased for both the three months and year ended December 31, 2022 compared to the same periods last year. The increase is due to additional advances on the Credit Facility and higher interest rates in 2022.

Other expenses (income)

The following table provides a breakdown of other expenses (income), excluding credit facility interest expense, by type for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	**December 31, 2021**	**Change %**	**December 31, 2022**	**December 31, 2021**	**Change %**
Debenture and other financing expense	$ (335)	$ 1,014	(133)%	$ 2,111	$ 3,841	(45)%
Accretion related to debentures and convertible debentures	315	316	(0)%	1,249	1,252	(0)%
Share of (income) loss in investment accounted for using the equity method	(372)	(5,076)	(93)%	20,569	278	7299%
Revaluation (gain) loss	(906)	19,817	(105)%	3,489	(15,671)	(122)%
Impairment of investment accounted for using the equity method	31,514	—	n/a	58,263	—	n/a
Impairment of goodwill	31,758	—	n/a	31,758	—	n/a
Other non-operating expense	7,940	1,476	438%	10,360	4,100	153%
Total other expenses (income)	69,914	17,547	298%	127,799	(6,200)	(2161)%
As a percentage of total revenue	408%	103%		185%	(11)%	

Total other expenses (income) were $69.9 million for the three months ended December 31, 2022, which is an increase in expense of $52.4 million compared to the same period last year. The increase in total other expenses was primarily driven by an increase in non-cash losses arising from an impairment charge to goodwill, a write-down to intangible assets related to the planned wind down of the legacy MogoApp and MogoCard, an impairment on our investment in Coinsquare, an increase in our share of Coinsquare's net comprehensive loss and an increase in unrealized loss on investment portfolio. These losses were partially offset by a decrease in unrealized loss on revaluation of Coinsquare warrants that expired in Q4 2022.

Total other expenses (income) were $127.8 million for the year ended December 31, 2022, which is an increase in expense of $134.0 million compared to the same period last year. The increase in total other expenses was driven by the same reasons noted above, and additionally due to a non-cash impairment charge on our investment in Coinsquare recognized in Q2 2022 and increase in unrealized loss on the Coinsquare warrants.

During the year ended December 31, 2022, Mogo recognized impairment charges of $58.3 million on its investment in Coinsquare after performing a comparison of the investment's estimated value to its carrying value. The impairment was triggered as Coinsquare experienced lower trading volumes in 2022 amidst the recent broader cryptocurrency and equity market declines.

Share of (income) loss in investment accounted for using the equity method increased for the three months and year ended December 31, 2022, compared to the same periods last year. The increase in the equity pickup loss was due to Mogo's share of both Coinsquare's operating loss and non-operating loss associated with their investment portfolio. Mogo's share of Coinsquare's operating loss increased in line with the general decline in cryptocurrency trading volumes in 2022 compared to 2021.

During the year ended December 31, 2022, Mogo recognized impairment charges of $31.8 million to goodwill. The impairment loss was recognized due to a change in overall industry and market conditions, along with a decline in the Company's stock price resulting in an excess of the carrying value of its total net operating assets above the Company's market capitalization.

Revaluation gains and losses were a $0.9 million gain for the three months ended December 31, 2022 compared to a $19.8 million loss in the same period last year. The variance is primarily attributable to fair value changes of the Coinsquare warrants that expired in 2022. Mogo recognized a $22.0 million loss on the Coinsquare warrants in Q4 2021, compared to $nil in Q4 2022.

Revaluation gains and losses were a $3.5 million loss for the year ended December 31, 2022 compared to a $15.7 million gain in the same period last year. The increase in revaluation loss is primarily attributable to a $9.7 million increase in unrealized loss on Coinsquare warrants and a $11.2 million increase in unrealized loss on our investment portfolio. These non-cash losses have primarily resulted from the equity and cryptocurrency market declines during 2022. Revaluation losses were offset by a revaluation gain on Mogo's derivative stock warrants.

During the year ended December 31, 2021, Mogo completed two registered direct offerings of Common Shares and Common Share purchase warrants resulting in US$81.5 million of gross proceeds. By virtue of the warrants having an exercise price denominated in USD, different than Mogo's functional currency, the warrants are classified as a derivative liability as opposed to equity on the balance sheet. During the three months and year ended December 31, 2022, the Company has recorded a fair value gain related to the derivative stock warrants of $0.6 million and $12.6 million, respectively. If the exercise price of these warrants had been denominated in CAD, the warrants would have been classified as equity with no subsequent revaluations through profit and loss. As a result of these transactions, the portion of total transaction costs incurred with respect to the offerings that is proportionate to the fair value of the derivative liability as a percentage of the total USD $81.5 million proceeds was recognized to non-operating expense during the respective periods. The portion of transaction costs from the offerings charged to non-operating expense amounted to $1.5 million for the three months ended March 31, 2021 with no similar financing and related expense in the current period.

Other non-operating expense for the three months ended December 31, 2022 primarily consists of a $2.0 million restructuring charge incurred from changes in personnel structure made in Q4 2022, along with a $5.4 million write-down of intangible assets related to the planned wind down of the legacy MogoApp and MogoCard. Other non-operating expense for the year ended December 31, 2022 also includes a $0.7 million restructuring charge incurred from the changes in personnel structure made in Q2 2022 and $1.1 million write-down of intangible assets related to MogoCrypto. Other non-operating expense in the three months and year ended December 31, 2021 relates to costs incurred from the acquisitions of Carta, Moka and Fortification.

Debenture and other financing expense primarily consists of interest expense related to our non-convertible and convertible debentures and interest expense related to our lease liabilities resulting from the adoption of IFRS 16. Debenture and other financing expense decreased by $1.3 million and $1.7 million for the three months and year ended December 31, 2022, respectively, compared to the same periods last year. The decrease in the three months ended December 31, 2022 is due to a gain of $1.1 million as a result of the revised amortised cost of the debentures due to the subordination agreement to the credit facility, and additional legal fees incurred in 2021 to support financing activity. Additional decrease for the year ended December 31, 2022 primarily related to the conversion of our convertible debentures into equity in Q1 2021.

Other comprehensive (loss) income

The following table provides a breakdown of other comprehensive income by type for the three months and year ended December 31, 2022 and 2021:

($000s, except percentages)

	Three months ended			Year ended		
	December 31, 2022	December 31, 2021	Change %	December 31, 2022	December 31, 2021	Change %
Unrealized revaluation gain (loss) on digital assets	$ —	$ 71	(100)%	$ (468)	$ 468	(200)%
Foreign currency transaction reserve (loss) gain	(783)	126	(721)%	101	458	(78)%
Other comprehensive (loss) income	(783)	197	(497)%	(367)	926	(140)%

Total other comprehensive loss was $0.8 million for the three months ended December 31, 2022 compared to other comprehensive income of $0.2 million in the same period last year. Total other comprehensive loss was $0.4 million for the year ended December 31, 2022 compared to other comprehensive income of $0.9 million in the same period last year.

Following the financial investment in bitcoin and ether in 2021, the Company recognized digital assets as indefinite lived intangible assets measured under the revaluation model at fair value and recognizes cumulative fair value gains relating to these digital assets through other comprehensive income, and cumulative fair value losses to the extent that they reverse previously recognized cumulative gains through other comprehensive income. See Note 3 of the annual consolidated financial statements for the year ended December 31, 2022 for our detailed accounting policy.

Unrealized revaluation gain (loss) on digital assets impacting other comprehensive income for the three months ended December 31, 2022 is $nil compared to a $0.1 million gain in the same period last year. Unrealized revaluation gain (loss) on digital assets impacting other comprehensive income for the year ended December 31, 2022 is a $0.5 million loss compared to a $0.5 million gain in the same period last year. These gains and losses are due to change in the market prices of bitcoin and ether across the periods.

The decrease in digital asset market prices in 2022 resulted in a cumulative loss on our digital assets prior to their sale in November 2022. As a result, the revaluation reserve in equity was reduced to $nil and a realized loss on digital assets of $0.1 million and $0.6 million was recognized in revaluation loss (gain) for the three months and year ended December 31, 2022, respectively (December 31, 2021 - gain of $0.1 million and $nil, respectively).

From the date of the acquisition of Carta in Q1 2021 and Moka in Q2 2021, the Company consolidates foreign operations with functional currencies that are different from the presentation currency of the Company's consolidated financial statements. The assets and liabilities of foreign operations are translated to CAD using exchange rates at the reporting date whilst their income and expenses are translated to CAD using average monthly exchange rates. Foreign currency differences arising are recognized in other comprehensive income.

Foreign currency translation reserve loss was $0.8 million for the three months ended December 31, 2022 compared to a gain of $0.1 million in the same period last year. Foreign currency translation reserve gain was $0.1 million for the year ended December 31, 2022 compared to a gain of $0.5 million in the same period last year. These gains are due to fluctuations in foreign currency exchange rates across the periods.

Selected Quarterly Information

($000s, except per share amounts)

	2022				2021			
	Fourth Quarter	**Third Quarter**	**Second Quarter**	**First Quarter**	**Fourth Quarter**	**Third Quarter**	**Second Quarter**	**First Quarter**
Income Statement Highlights								
Total revenue	$ 17,146	$ 17,257	$ 17,290	$ 17,256	$ 16,996	$ 15,439	$ 13,665	$ 11,420
Loss from operations	(3,753)	(7,634)	(9,854)	(12,333)	(11,257)	(9,980)	(9,995)	(4,302)
Other (expenses) income, including taxes	(71,190)	(12,362)	(42,016)	(6,537)	(18,366)	167	19,040	1,485
Net (loss) income	(74,943)	(19,996)	(51,870)	(18,870)	(29,623)	(9,813)	9,045	(2,817)
Net (loss) income per common share (basic)	(0.99)	(0.26)	(0.68)	(0.25)	(0.41)	(0.14)	0.14	(0.06)
Net (loss) income per common share (fully diluted)	(0.99)	(0.26)	(0.68)	(0.25)	(0.41)	(0.14)	0.13	(0.06)
Non-IFRS Financial Measures(1)								
Contribution	7,340	6,084	6,719	7,364	7,624	7,107	7,669	6,315
Adjusted EBITDA	248	(2,799)	(4,134)	(5,545)	(3,656)	(3,438)	(2,962)	(1,066)
Adjusted net loss	(4,261)	(8,350)	(9,476)	(10,777)	(9,749)	(9,450)	(10,981)	(5,742)

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

Key Quarterly Trends

We have experienced steady revenue in 2022 after continued quarter over quarter revenue growth since Q1 2021, driven by growth in our subscription and services revenue, and the addition of transaction processing revenues related to the acquisition of Carta and other subscription and service-based revenue related to the acquisition of Moka. We have achieved steady revenue in 2022 while reducing operating expenses in each quarter.

Loss from operations increased from Q1 2021 to Q1 2022. In 2021, we increased growth spend and acquired Carta, Moka and Fortification. Additional expenditures were incurred to grow the loan book, develop MogoTrade, and support acquisitions. Beginning in Q2 2022, we implemented a broad restructuring plan along with cost reduction initiatives including changes in personnel and a reduction in performance marketing spend. Loss from operations decreased quarter over quarter from Q1 2022 to Q4 2022, with steady revenue and decreasing operating expenditures.

Other (expenses) income, including taxes, resulted in income for Q1 2021 to Q3 2021, followed by losses from Q4 2021 to Q4 2022. Gains in Q1 2021 to Q3 2021 were driven by a fair value gain on the Coinsquare warrants, fair value gain on derivative stock warrants and gain on the investment portfolio. Between Q4 2021 and Q4 2022, broader equity and cryptocurrency market declines resulted in non-cash losses, including $58.3 million in impairment charges on our investment in Coinsquare, $31.8 million in impairment charges to goodwill and $6.5 million in write-downs of intangible assets.

There was an increase in growth spend in 2021 through Q1 2022 resulting in an increase to the adjusted EBITDA loss. We have reduced growth spend in 2022 and implemented changes to personnel structure to achieve quarter over quarter improvements in adjusted EBITDA from Q1 2022 to Q4 2022.

Summary of Annual Results
($000s, except percentages and per share amounts)

	Year ended				
	December 31, 2022	**December 31, 2021**	**December 31, 2020**	**% change 2022 vs 2021**	**% change 2021 vs 2020**
Financial Statement Highlights					
Total revenue	$ 68,949	$ 57,519	$ 44,245	20%	30%
Net loss	(165,678)	(32,284)	(13,445)	413%	140%
Net loss per common share (basic and fully diluted)	(2.17)	(0.53)	(0.47)	310%	13%
Total assets	221,494	393,867	104,468	(44)%	277%
Total liabilities	110,608	124,090	99,232	(11)%	25%
Non-IFRS Financial Measures(1)					
Contribution	27,511	28,716	23,124	(4)%	24%
Adjusted EBITDA	(12,227)	(11,113)	11,618	10%	(196)%
Adjusted net loss	(32,863)	(33,051)	(10,123)	(1)%	226%

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

Key Annual Trends

We have experienced year over year total revenue growth from 2020 to 2022, driven by growth in our subscription and services revenue, and additional revenue streams from the acquisition of Carta, Moka and Fortification in 2021.

Net loss increased from 2020 to 2022. During 2020, we significantly reduced discretionary growth-related expenditures with the onset of COVID-19 and also experienced historically low default rates, resulting in reduced loss from operations. In 2021, we increased growth spend and acquired Carta, Moka and Fortification. During 2022, we implemented a broad restructuring plan and focused on certain cost reduction initiatives including changes in personnel and a reduction in performance marketing spend. The Company incurred additional non-cash losses in 2022 including the impairment of goodwill, write-down of certain intangible assets, our share of loss and impairment of our investment in Coinsquare and investment portfolio loss as a result of equity and cryptocurrency market declines during 2022.

The increase in the Company's total assets and total liabilities from 2020 to 2021 are attributable to acquisitions of Carta, Moka and Fortification, investment in Coinsquare, growth in loan originations and proceeds received as part of the Company's financings during the year. The decrease in assets from 2021 to 2022 is driven by non-cash losses on goodwill, our investment in Coinsquare, intangible assets and the investment portfolio, and growth spend largely incurred in the first half of 2022 prior to the implementation of the restructuring plan. Total liabilities decreased from 2021 to 2022 primarily as a result of the revaluation of our derivative financial liabilities from period to period.

Key Balance Sheet Components

The following table provides a summary of the key balance sheet components as at December 31, 2022 and December 31, 2021:

($000s)	As at	
	December 31, 2022	December 31, 2021
Cash and cash equivalent	$ 29,268	$ 67,762
Total assets	221,494	393,867
Total liabilities	110,608	124,090

Total assets decreased by $172.4 million during the year ended December 31, 2022. The decrease is primarily attributable to non-cash impairment charges to goodwill of $31.8 million and intangible assets of $6.5 million, along with equity and cryptocurrency market declines during 2022 resulting in non-cash losses including $58.3 million impairment charge related to our investment in Coinsquare, $20.6 million in our share of Coinsquare's net comprehensive loss, $7.9 million loss on our Coinsquare warrants and $5.6 million net reduction in our investment portfolio. In addition, we continued to accelerate key growth initiatives including the development of MogoTrade resulting in additional growth spend and cash expenditure. These decreases were offset by higher loans and other receivables.

Total liabilities decreased by $13.5 million during the year ended December 31, 2022. The decrease is primarily due to a $12.3 million decrease in derivative financial liabilities partially offset by advances on the Credit Facility.

Loans receivable

The following table provides a breakdown of loans receivable as at December 31, 2022 and December 31, 2021:

($000s)	As at	
	December 31, 2022	December 31, 2021
Gross loans receivable	$ 69,914	$ 65,645
Allowance for loan losses	(13,073)	(9,813)
Net loans receivable	56,841	55,832

The gross loans receivable portfolio was $69.9 million as at December 31, 2022, which is an increase of $4.3 million compared to the balance as at December 31, 2021. The increase is primarily due to changes in originations from year to year.

The following table provides a reconciliation of changes in our loan loss allowance for the year ended December 31, 2022 and the year ended December 31, 2021:

($000s)	As at	
	December 31, 2022	December 31, 2021
Allowance for loan losses, beginning of period	$ 9,813	$ 8,886
Provision for loan losses	15,383	8,476
Loans charged-off	(12,123)	(7,549)
Allowance for loan losses, end of period	13,073	9,813

The allowance for loan losses is reported on the Company's balance sheet and is netted against gross loans receivable to arrive at the net loans receivable. The allowance for loan losses represents our estimate of the ECL inherent in our loan portfolio. Refer to Note 4 of the consolidated financial statements for a breakdown of gross loans receivable and allowance for loan losses by aging category based on their IFRS 9 ECL measurement stage. The Company assesses its allowance for loan losses at each reporting date. Changes in the provision for loan losses, net of recoveries, are recorded as a cost of revenue in the consolidated statements of operations and comprehensive income (loss).

The allowance for loan losses as a percentage of gross loans receivable increased to 18.7% as at December 31, 2022 from 14.9% as at December 31, 2021. This is primarily due to abnormally low default rates in the comparative period, and an incremental provision recorded in 2022 to reflect forward looking macroeconomic indicators such as the spike in inflation and rising interest rates.

As at December 31, 2022, the allowance includes an incremental allowance in respect of potential future losses arising from macroeconomic factors as a result of the requirement under IFRS 9 to account for forward-looking indicators when determining the allowance. We believe that the related allowance is adequate to absorb reasonably possible changes to economic conditions that impact the loan book. It should be noted that this allowance has already been reflected in our provision for loan losses in the consolidated statements of operations and comprehensive income (loss). Refer to the *"Cost of revenue"* section above for further discussion on the provision for loan losses.

The Company reserves and charges off consumer loan amounts to the extent that there is no reasonable expectation of recovery once the loan or a portion of the loan has been classified as past due for more than 180 consecutive days. Recoveries on loan amounts previously charged off are credited against loans receivable and provision for loan losses when collected.

In the opinion of management, the Company has provided adequate allowances to absorb expected 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 change significantly.

Transactions with Related Parties

Related party transactions during the three months and year ended December 31, 2022 include transactions with debenture holders that incur interest. The related party debentures balance as at December 31, 2022 totaled $0.3 million (December 31, 2021 – $0.3 million). The debentures bear annual coupon interest of 8.0% (December 31, 2021 – 8.0%) with interest expense for the three months and year ended December 31, 2022 totaling $6,000 and $25,000, respectively (December 31, 2021 – $6,000 and $26,000, respectively). The related parties involved in such transactions include shareholders, officers, directors, and management, close members of their families, or entities which are directly or indirectly controlled by close members of their families. The debentures are ongoing contractual obligations that are used to fund our corporate and operational activities.

In the year ended December 31, 2022, the Company incurred $188,000 of sponsorship expenses (December 31, 2021 – $153,000) with a company owned by a director of Mogo. In the year ended December 31, 2022, the Company incurred $142,000 of recruiting fees (December 31, 2021 – $54,000) with a recruiting firm owned by the spouse of a director of Mogo.

On June 30, 2021, the Company acquired 1,300,000 common shares of Tetra Trust Company from its associate Coinsquare Ltd. ("Coinsquare") for $1.3 million. As at December 31, 2022, this investment is valued at $1.3 million and is recorded within the investment portfolio (December 31, 2021 – $1.3 million). This related party transaction was made on terms equivalent to those that prevail in arm's length transactions.

Key management personnel ("KMP") are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. Key management personnel consist of directors and executive officers.

Aggregate compensation of KMP recorded as expenses in the consolidated statement of operations and comprehensive income (loss) during the year consisted of:

	Year ended	
	December 31, 2022	December 31, 2021
Salary and short – term benefits	**2,192**	1,529
Stock-based compensation	**3,129**	2,616
Termination benefits	**1,224**	—
	6,545	4,145

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements 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.

Liquidity and Capital Resources

The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern, and to deploy capital to provide future investment return to its shareholders. A detailed description of the Company's approach to capital management and risk management policy for managing liquidity risk is outlined in Note 23 and Note 26 in the Company's annual consolidated financial statements for the year ended December 31, 2022.

To date the Company has funded its lending and investing activities, expenses and losses primarily through the proceeds of its initial public offering which raised $50 million in 2015, subsequent issuances of Common Shares, convertible debentures, warrants, prior private placements of preferred shares, placements of debentures, credit facilities, and cash from operating activities. The business combination between the Company and Mogo Finance in the second quarter of 2019 also added to the Company's capital resources and strengthened its financial position with an investment portfolio which the Company is actively seeking to monetize. Following investments made after the business combination, the value of Mogo's investments, including our investment in Coinsquare, was $37.5 million as at December 31, 2022. In order to support its growth strategy, the Company gives consideration to additional financing options including accessing the capital markets for additional equity or debt, monetization of our investment portfolio, increasing the amount of long-term debentures outstanding or increasing availability under existing or new credit facilities.

We manage our liquidity 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 conditions and support its long-term growth. Management expects that they will be able to refinance any outstanding amounts owing under the Credit Facility or our long-term debentures and may consider the issuance of shares in satisfaction of amounts owing under the convertible debentures, in each case as they become due and payable. The debentures are subordinated to the Credit Facility.

In December 2021, we amended our Credit Facility. The amendments changed the effective interest rate from a maximum of 9% plus LIBOR to 8% plus LIBOR with no floor. In addition, the amendment increases the available loan capital from $50 million to $60 million and extends the maturity date by three years from July 2, 2022 to July 2, 2025.

On September 29, 2020, Mogo and its non-convertible debenture holders approved certain amendments to the terms of the debentures, effective July 1, 2020. Among other things, these amendments reduce the interest rate of the debentures, and allow for the settlement of interest and principal in either cash or Common Shares, at our option.

On December 31, 2020, the Company established an at-the-market equity program to raise funds for operational expenditures, to maintain the Company's working capital balances, and for general corporate purposes. The Company sold 1,524,759 Common Shares on the NASDAQ and received cash proceeds of approximately $18.3 million, net of agent commission. The program was terminated on February 21, 2021.

In registered direct offerings completed in February 2021 and December 2021, the Company received cash proceeds of approximately $113.3 million, net of agent commission, and issued to certain individual investors an aggregate of 11,457,648 Common Shares and unregistered warrants to purchase up to an aggregate of 5,728,824 Common Shares at any time prior to the date which is three and a half years following the date of issuance. A portion of the net proceeds was used to fund the cash component of the previously announced investment in Coinsquare with the remaining net proceeds used for general corporate and working capital purposes.

Cash Flow Summary

The following table provides a summary of cash inflows and outflows by activity for the three and twelve months ended December 31, 2022 and 2021:

($000s)

	Three months ended		Year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cash used in operating activities before changes in working capital (1)	$ (698)	$ (2,046)	$ (7,809)	$ (14,256)
Other changes in working capital (1)	1,155	1,052	(2,808)	247
Cash provided by (used in) operating activities before changes in loans receivable	457	(994)	(10,617)	(14,009)
Cash invested in loans receivable	(1,813)	(6,462)	(16,392)	(17,081)
Cash used in operating activities	(1,356)	(7,456)	(27,009)	(31,090)
Cash used in investing activities	(655)	(2,965)	(9,149)	(39,594)
Cash (used in) provided by financing activities	(2,718)	34,887	(3,079)	125,864
Effect of exchange rate fluctuations	(36)	(185)	743	463
Net (decrease) increase in cash for the period	(4,765)	24,281	(38,494)	55,643

(1) This is a non-IFRS measure. The above table includes a reconciliation to cash (used in) generated from operating activities which is the most comparable IFRS measure.

The net decrease in cash for the three months and year ended December 31, 2022 contrasts the net increase in cash in the comparative period primarily due to financing activities that occurred in 2021, including the issuance of Common Shares, proceeds from the exercise of warrants and greater advances on the Credit Facility.

The net decrease in cash for three months ended December 31, 2022 was primarily due to repayments of debt and the repurchase of Common Shares. This is in contrast to the cash use from growth investment in the comparative period. We have reduced our cash use quarter-over-quarter from Q1 2022 to Q4 2022, driven by lower cash use from operating activities as a result of improved efficiency of operations.

The net decrease in cash for the year ended December 31, 2022 was primarily related to growth investment expenditures in the first half of 2022 including costs related to MogoTrade and continued loan originations. We are experiencing a temporary increase in net cash use from changes in working capital in 2022 as we reduce our operating expenses.

Cash provided by (used in) operating activities

Our operating activities consist of our subscription and services revenue inflows, our cash operating and interest expense outflows, as well as the funding and servicing of our loan products, including the receipt of principal and interest payments from our loan customers, and payment of associated direct costs and receipt of associated fees.

Cash used in operating activities decreased by $6.1 million in the three months ended December 31, 2022 compared to the same period last year. Cash used in operating activities increased by $4.1 million in the year ended December 31, 2022 compared to the same period last year.

Cash used in operating activities before changes in working capital was a $0.7 million outflow in the three months ended December 31, 2022 compared to a $2.0 million outflow in the same period last year. Cash used in operating activities before changes in working capital was a $7.8 million outflow in the year ended December 31, 2022 compared to a $14.3 million outflow in the same period last year. The overall decrease in cash outflows was due to lower operating expenses as a percentage of revenue in the current period relative to the prior period.

Cash invested in loans receivable was a $1.8 million outflow in the three months ended December 31, 2022 compared to a $6.5 million outflow in the same period last year. There was a reduction in loan originations in Q4 2022 to manage credit risk due to the current inflationary environment.

Cash invested in loans receivable was a $16.4 million outflow in the year ended December 31, 2022 compared to a $17.1 million outflow in the same period last year. In the first half of 2022, there was an increase in cash outflows due to higher loan originations relative to the comparative period. In the second half of 2022, Mogo reduced loan originations to manage credit risk, resulting in the overall decrease in cash outflows. Management maintains complete discretion over the ability to manage this as either a usage of cash or an inflow of cash from period to period.

Other changes in working capital resulted in a $1.2 million inflow in the three months ended December 31, 2022 compared to a $1.1 million inflow in the same period last year. Other changes in working capital resulted in a $2.8 million outflow in the year ended December 31, 2022 compared to a $0.2 million inflow in the same period last year. The overall reduction in operating expenses beginning Q2 2022 and timing of vendor payments has resulted in higher cash outflows from changes in working capital during 2022. Mogo expects that the cash outflows from changes in working capital are temporary, and are due to the reduction in our cost structure.

Cash provided by (used in) investing activities

Our investing activities consist primarily of capitalization of software development costs, purchases of property, equipment and software, investment and sale of our digital assets, cash invested in investment accounted for using the equity method, monetization of our investment portfolio and cash (invested) acquired in a business combination. The cash flow may vary from period to period due to the timing of the expansion of our operations, changes in employee headcount and the development cycles of our internal-use technology.

Cash used in investing activities in the three months ended December 31, 2022 was $0.7 million compared to $3.0 million in the same period last year. The decrease in cash used in investing activities is primarily due to lower capitalized development costs and cash invested in the investment portfolio in the current year, along with proceeds from the sale of our digital assets.

Cash used in investing activities in the year ended December 31, 2022 was $9.1 million compared to $39.6 million in the same period last year. The decrease in cash used in investing activities is primarily due to our investment in Coinsquare made in the comparative period, partially offset by proceeds from the sales of investments in the prior period.

Cash provided by (used in) financing activities

Historically, our financing activities have consisted primarily of the issuance of our Common Shares, debentures, convertible debentures, and borrowings and repayments on our credit facilities.

Cash used in financing activities in the three months ended December 31, 2022 was $2.7 million compared to cash provided by financing activities of $34.9 million for the same period last year. The net decrease in cash (used in) provided by financing activities is primarily attributable to $32.4 million in proceeds from the issuance of Common Shares in the prior period with no similar financing occurring in the current period. In addition, there was $1.4 million in repayments of the Credit Facility in the current period, compared to $3.1 million in advances in the prior period.

Cash used in financing activities in the year ended December 31, 2022 was $3.1 million compared to cash provided by financing activities of $125.9 million for the same period last year. The net decrease in cash (used in) provided by financing activities for the year ended December 31, 2022 relative to the same period in the prior year is primarily attributable to the issuance of Common Shares for proceeds of approximately $113.3 million and proceeds from Common Shares issued from the exercise of warrants of $6.4 million in the first quarter of 2021 with no similar financing occurring in 2022. In addition, there was $1.2 million in advances on the Credit Facility in 2022, compared to $7.3 million in advances in 2021.

Contractual Obligations

The following table shows contractual obligations as at December 31, 2022. Management will continue to refinance any outstanding amounts owing under the Credit Facility or our long-term debentures as they become due and payable.

($000s)	2023	2024	2025	2026	2027	Thereafter
Commitments - operational						
Lease payments	1,297	1,206	1,240	1,255	789	683
Trade payables	5,686	—	—	—	—	—
Accrued wages and other expenses	15,296	—	—	—	—	—
Interest – Credit Facility	5,689	5,689	2,845	—	—	—
Interest – Debentures	2,886	2,743	1,953	—	—	—
	30,854	9,638	6,038	1,255	789	683
Commitments – principal repayments						
Credit Facility	—	—	46,180	—	—	—
Debentures [(1)]	2,215	2,358	35,085	—	—	—
	2,215	2,358	81,265	—	—	—
Total contractual obligations	**33,069**	**11,996**	**87,303**	**1,255**	**789**	**683**

Disclosure of Outstanding Shares

The authorized capital of Mogo consists of an unlimited number of Common Shares without par value and an unlimited number of preferred shares, issuable in one or more series. As of March 22, 2023, no preferred shares have been issued and the following Common Shares, and rights to acquire Common Shares were outstanding:

Class of Security	**Number outstanding (in 000s) as at March 23, 2023**
Common shares	74,972
Stock options	9,170
Restricted share units	2
Common share purchase warrants [(2)]	6,535

(1) The debenture principal repayments are payable in either cash or Common Shares at Mogo's option. The number of Common Shares required to settle the principal repayments is variable based on the Company's share price at the repayment date. The debentures are subordinated to the Credit Facility which has the effect of extending the maturity date of the debentures to the later of contractual maturity or the maturity date of Credit Facility.

(2) Common share purchase warrants include the 5,729,000 warrants accounted for as a derivative financial liability in Note 14 of the consolidated financial statements for the year ended December 31, 2022.

Risk Management

In the normal course of business, the Company is exposed to financial risk that arises from a number of sources. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Company, management takes steps to avoid undue concentrations of risk. The Company's significant risk and related policies are described further in the notes to the Company's annual consolidated financial statements for the year ended December 31, 2022.

Other risks

As changes in our business environment or investment strategy occur, we may adjust our strategies to meet these changes, which may include restructuring a particular business or asset or refocusing on different sectors of our investment portfolio. In addition, external events, including changing technology, changing consumer patterns, changing market sentiment, and changes in macroeconomic condition, including the volatility and uncertainty in financial markets (including cryptocurrency markets), may impair the value of some or all of our assets or require us to take a charge against such assets, including our investment in Coinsquare. When these changes or events occur, we may need to write down the value of certain assets or the overall value of our investment portfolio. We may also make investments in existing or new businesses in order to build on or diversify our investment portfolio. Some of these investments may have short-term returns that are negative or low and the ultimate prospects of those investments in our portfolio may be uncertain, volatile or may not develop at a rate that supports our level of investment. In any of these events, we may have significant charges associated with the write-down of assets or certain asset classes such as cryptocurrency or technology company investments.

Other risks facing our business, and that could cause actual results to differ materially from current expectations may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors" section of our current annual information form for the year ended December 31, 2022 and elsewhere in this MD&A.

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.

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amount of assets and liabilities, and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates. Estimates, assumptions, and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on a prospective basis beginning from the period in which they are revised.

Significant estimates and judgments include the determination of allowance for loan losses, fair value of privately held investments, impairment of investment in associate, and valuation of goodwill acquired in business combinations, which are described further in the notes to the Company's consolidated financial statements for the year ended December 31, 2022.

Changes in Accounting Policies including Initial Adoption

Significant accounting policies

The accounting policies are described in the Company's annual consolidated financial statements for the year ended December 31, 2022.

New and amended standards and interpretations

Certain new or amended standards and interpretations became effective on January 1, 2022, but do not have an impact on the consolidated financial statements of the Company. The Company has not adopted any standards or interpretations that have been issued but are not yet effective.

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. 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 December 31, 2022, management assessed the design and operating effectiveness of the Company's ICFR and concluded that such ICFR is appropriately designed and operating effectively, 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 ICFR during the period that have materially affected, or are likely to materially affect, the Company's ICFR.