# Mogo Finance Technology Inc.
## Unaudited Interim Condensed Consolidated Financial Statements
September 30, 2015

# Mogo Finance Technology Inc.
## Interim Condensed Consolidated Statement of Financial Position
*(unaudited)*

| | **September 30, 2015** | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | **39,890,697** | 23,598,672 |
| Loans receivable (Note 4) | **48,305,330** | 19,176,674 |
| Prepaid expenses, deposits and other assets | **1,825,276** | 1,126,467 |
| Investment tax credits | **1,616,353** | 1,453,516 |
| Property and equipment (Note 6) | **3,450,537** | 598,323 |
| Intangible assets (Note 7) | **5,531,479** | 3,455,900 |
| | **100,619,672** | 49,409,552 |
| **Liabilities** | | |
| Accounts payable and accruals | **7,164,813** | 3,625,956 |
| Credit facilities (Note 8) | **28,158,968** | 12,818,716 |
| Derivative Financial Liability (Note 14) | **235,731** | - |
| Debentures (Note 9) | **40,073,819** | 39,185,245 |
| | **75,633,331** | 55,629,917 |
| **Shareholders' Equity (Deficit)** | | |
| **Share capital** (Note 10) | **45,314,488** | 38,917,810 |
| **Contributed surplus** | **882,578** | 460,939 |
| **Deficit** | **(21,210,725)** | (45,599,114) |
| | **24,986,341** | (6,220,365) |
| | **100,619,672** | 49,409,552 |

**Approved on Behalf of the Board**

*Signed by "Greg Feller"*, *Director*

*Signed by "Minhas Mohamed"*, *Director*

# Mogo Finance Technology Inc.
## Interim Condensed Consolidated Statement of Comprehensive Loss
*(unaudited)*

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2015** | September 30, 2014 | **September 30, 2015** | September 30, 2014 |
| **Revenue** | | | | |
| Loan fees | **7,746,712** | 5,554,861 | **22,706,800** | 12,455,001 |
| Loan interest | **2,347,806** | 453,624 | **4,863,059** | 740,078 |
| Other revenues | **1,457,451** | 795,916 | **3,452,435** | 1,758,733 |
| | **11,551,968** | 6,804,402 | **31,022,294** | 14,953,812 |
| **Cost of revenue** | | | | |
| Provision for loan losses, net of recoveries (Note 4) | **3,579,650** | 2,036,250 | **9,800,557** | 4,367,318 |
| Transaction costs | **751,348** | 435,702 | **1,901,526** | 1,103,135 |
| | **4,330,998** | 2,471,951 | **11,702,083** | 5,470,453 |
| **Gross profit** | **7,220,971** | 4,332,450 | **19,320,211** | 9,483,359 |
| **Operating expenses** | | | | |
| Technology and development | **2,133,548** | 1,099,225 | **5,371,624** | 2,885,892 |
| Customer service and operations | **2,394,057** | 1,525,708 | **6,366,208** | 3,806,657 |
| Marketing | **3,655,782** | 1,794,011 | **8,213,853** | 3,356,629 |
| General and administration | **3,008,448** | 1,370,233 | **7,294,009** | 3,710,294 |
| **Total operating expenses** | **11,191,835** | 5,789,177 | **27,245,694** | 13,759,472 |
| **Loss from operations** | **(3,970,864)** | (1,456,726) | **(7,925,483)** | (4,276,113) |
| **Other expenses** | | | | |
| Unrealized foreign exchange loss (gain) | **436,721** | 293,374 | **893,002** | 314,143 |
| Funding interest expense (Note 8) | **820,702** | 517,349 | **2,246,437** | 704,898 |
| Corporate interest expense | **1,568,935** | 1,532,009 | **4,682,852** | 4,520,790 |
| Other financing (income) expenses | **5,716** | 126,611 | **4,565** | 647,327 |
| | **2,832,074** | 2,469,343 | **7,826,856** | 6,187,158 |
| **Loss before income taxes** | **(6,802,938)** | (3,926,069) | **(15,752,339)** | (10,463,271) |
| Provision for income taxes | **3,779** | 137 | **3,353** | 170 |
| **Loss and comprehensive loss** | **(6,806,717)** | (3,926,206) | **(15,755,692)** | (10,463,441) |
| **Loss per share** (Note 12) | | | | |
| Basic and fully diluted | **(0.375)** | (0.512) | **(0.867)** | (1.364) |
| Weighted average number of basic and fully diluted common shares | **18,162,432** | 7,671,941 | **18,162,432** | 7,671,941 |

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

## Mogo Finance Technology Inc.
### Interim Condensed Consolidated Statement of Changes in Equity (Deficit)
*(unaudited)*

| | Share capital | Contributed surplus | Deficit | Total |
|---|---|---|---|---|
| **Balance, December 31, 2014** | **38,917,810** | **460,939** | **(45,599,114)** | **(6,220,365)** |
| Loss and comprehensive loss | - | - | (15,755,692) | (15,755,692) |
| Issuance of Class B preferred shares | 1,226,271 | - | - | 1,226,271 |
| Stock based compensation | - | 553,041 | - | 553,041 |
| Reduction of stated capital (Note 10) | (40,144,081) | - | 40,144,081 | - |
| Shares issued through initial public offering | 50,000,000 | - | - | 50,000,000 |
| Share issue costs associated with initial public offering | (4,816,914) | - | - | (4,816,914) |
| Warrants exercised | 131,402 | (131,402) | - | - |
| **Balance, September 30, 2015** | **45,314,488** | **882,578** | **(21,210,725)** | **24,986,341** |

| | Share capital | Contributed surplus | Deficit | Total |
|---|---|---|---|---|
| **Balance, December 31, 2013** | **1,000** | **79,135** | **(32,526,187)** | **(32,446,052)** |
| Loss and comprehensive loss | - | - | (10,463,441) | (10,463,441) |
| Issuance of common shares | 4,842,960 | - | - | 4,842,960 |
| Issuance of Class A preferred shares | 5,187,050 | - | - | 5,187,050 |
| Issuance of Class B preferred shares | 10,706,019 | - | - | 10,706,019 |
| Share issue costs common shares | (153,794) | - | - | (153,794) |
| Share issue costs Class B preferred shares | (366,322) | - | - | (366,322) |
| Stock based compensation | - | 259,976 | - | 259,976 |
| Options exercised | 148,807 | (148,557) | - | 250 |
| Issuance of warrants | - | 169,962 | - | 169,962 |
| **Balance, September 30, 2014** | **20,365,720** | **360,516** | **(42,989,628)** | **(22,263,392)** |

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | **September 30, 2015** | September 30, 2014 | **September 30 2015** | September 30, 2014 |
| **Cash provided by (used for) the following activities** | | | | |
| **Operating activities** | | | | |
| Loss and comprehensive loss | **(6,806,717)** | (3,926,206) | **(15,755,692)** | (10,463,441) |
| Depreciation and amortization | **424,319** | 358,384 | **1,133,143** | 1,045,158 |
| Amortization of deferred finance costs | **93,766** | 86,968 | **267,103** | 144,447 |
| Provision for loan losses | **3,796,159** | 2,173,844 | **10,387,385** | 4,813,468 |
| Stock based compensation expense | **396,000** | 41,632 | **553,041** | 259,976 |
| Unrealized foreign exchange loss (gain) | **435,623** | 270,035 | **888,568** | 288,903 |
| | **(1,660,850)** | (995,343) | **(2,526,452)** | (3,911,489) |
| Changes in working capital accounts | | | | |
| Increase in loans receivable | **(19,044,887)** | (7,205,628) | **(39,516,038)** | (13,919.912) |
| Investment tax credits | **-** | (157,500) | **(157,500)** | (474,000) |
| Prepaid expenses, deposits and other assets | **264,608** | (95,582) | **(698,284)** | (157,458) |
| Accounts payable and accruals | **554,511** | (248,475) | **3,532,998** | (376,704) |
| **Net cash used in operating activities** | **(19,886,618)** | (8,702,528) | **(39,365,276)** | (18,839,563) |
| **Investing activities** | | | | |
| Purchases of property and equipment | **(1,999,435)** | (82,725) | **(3,059,684)** | (258,284) |
| Investment in software | **(1,365,233)** | (450,772) | **(3,001,252)** | (1,269,567) |
| **Net cash used in investing activities** | **(3,364,668)** | (533,497) | **(6,060,936)** | (1,527,851) |
| **Financing activities** | | | | |
| Proceeds from initial public offering, net of issuance costs | **30,652** | - | **45,183,085** | - |
| Advances of debentures | **-** | 2,000,000 | **-** | 6,732,389 |
| Repayment of debentures | **-** | - | **-** | (290,934) |
| Credit facility Advances | **10,517,549** | 6,485,594 | **15,680,590** | 11,984,194 |
| Credit facility financing costs | **(203,965)** | - | **(425,873)** | (920,386) |
| Common shares issuance costs | **-** | - | **-** | (153,794) |
| Issuance of warrants | **54,164** | - | **54,164** | - |
| Options exercised | **-** | - | **-** | 250 |
| Proceeds from issuance of Class A preferred shares | **-** | - | **-** | 30,000 |
| Proceeds from issuance of Class B preferred shares, net of share issuance costs | **-** | (10,000) | **1,226,271** | 10,378,256 |
| **Net cash provided by financing activities** | **10,398,400** | 8,475,594 | **61,718,237** | 27,759,975 |
| **Increase in cash resources** | **(12,852,886)** | (760,431) | **16,292,025** | 7,392,561 |
| **Cash and cash equivalents, beginning of period** | **52,743,583** | 9,604,005 | **23,598,672** | 1,451,013 |
| **Cash and cash equivalents, end of period** | **39,890,697** | 8,843,574 | **39,890,697** | 8,843,574 |
| **Supplementary cash flow information** | | | | |
| Interest paid | **2,371,828** | 2,042,377 | **6,896,754** | 5,280,216 |

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

## 1. Nature of operations

Mogo Finance Technology Inc. (the "Company") was incorporated under Business Corporations Act (British Columbia) on August 26, 2003. The address of the Company's registered office is 680-375 Water Street, Vancouver, British Columbia, Canada, V6B 5C6. The Company's common shares are listed on the Toronto Stock Exchange under the symbol "GO".

The Company operates as a one segment full credit spectrum lender of consumer loans and prepaid Visa cards to consumers across Canada. The Company delivers its products through their online lending platform and 8 branches located in major cities across Canada.

## 2. Basis of presentation

### Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2014.

These interim condensed consolidated financial statements for the three and nine months ended September 30, 2015 and September 30, 2014 were authorized for issue by the Board of Directors on November 10, 2015.

### Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due in the normal course.

Management routinely plans future activities including forecasting future cash flows. Management has reviewed their plan with the Directors and has collectively formed a judgment that the Company has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months. In arriving at this judgment, Management has prepared the cash flow projections of the Company, which incorporates a two year rolling forecast and detailed cash flow modeling through the current fiscal year. The expected cash flows have been modeled based on anticipated revenue and profit streams with debt and equity funding programmed into the model.

For these reasons, the Company continues to adopt a going concern basis in preparing the interim condensed consolidated financial statements.

### Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### Basis of consolidation

The Company has consolidated the assets, liabilities, revenues and expenses of all its subsidiaries. The interim condensed consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Mogo Financial (Alberta) Inc., Mogo Financial (B.C.) Inc., Mogo Financial Inc., Mogo Finance Trust, Mogo Financial (Ontario) Inc., Hornby Loan Brokers (Ottawa) Inc., Hornby Leasing Inc., Mogo Technology Inc. (a US subsidiary), Thurlow Management Inc., Thurlow Capital (Alberta) Inc., Thurlow Capital (B.C.) Inc., Thurlow Capital (Manitoba) Inc., Thurlow Capital (Ontario) Inc., and Thurlow Capital (Ottawa) Inc. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All inter-company balances, income and expenses and unrealized gains and losses resulting from inter-company transactions are eliminated in full.

**2. Basis of presentation** *(Continued from previous page)*

**Use of estimates and judgements**

The preparation of the interim condensed consolidated financial statements requires management to make estimates, assumptions and judgements that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amount of revenues and expenses during the period. The critical accounting estimates and judgements have been set out in the notes to the Company's consolidated financial statements for the year ended December 31, 2014.

**3. Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of any new standards and interpretations effective as of January 1, 2015, addition of derivative financial liability, and implementation of the new Restricted Share Unit plan.

The nature and the impact of each new standard or amendment or accounting policy is described below:

**Derivative Financial Liability**

Warrants issued with a cashless exercise option are recorded at fair value and classified as a derivative financial liability. The liability is initially measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statement of operations. As the warrants are exercised, the value of the recorded liability will be included in share capital along with the proceeds from the exercise. If these warrants expire, the related liability is reversed through the consolidated statement of operations

**Restricted Share Unit ("RSU") Plan**

For each RSU granted, compensation is recognized equal to the market value of one common share at the date of grant based on the number of RSUs expected to vest, recognized over the term of the vesting period, with a corresponding credit to contributed surplus for equity-settled RSUs and a corresponding credit to a liability for cash-settled RSUs. Additional RSUs are issued to reflect dividends declared on the common shares.

Compensation expense is adjusted for subsequent changes in management's estimate of the number of RSUs that are expected to vest and, for cash-settled RSUs, changes in the market value of the Company's common shares. The effect of these changes is recognized in the period of the change. Upon settlement of the equity-settled RSUs, any difference between the cost of shares purchased on the open market and the amount credited to contributed surplus is reflected in the deficit. Vested RSUs are settled either in shares of the Company, in cash, or through a combination of these, depending on the terms of the grant.

**New IFRS standards and interpretations applied**

IFRS 2, Share-Based Payments has amended the definitions of market and vesting conditions and added definitions for performance and service conditions. Vesting conditions are now defined as either service conditions or performance conditions. The amendments also clarify certain other requirements for performance, service market and non-vesting conditions. This amendment did not impact the Company's financial statements for the three and nine month periods ending September 30, 2015.

IFRS 13, Fair Value Measurement, is part of the Annual Improvements to the 2010 - 2012 cycle, the amendments to the basis of conclusions of IFRS 13, issued by the IASB in December 2013, clarify that amendments to IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement do not remove the ability to measure certain short-term receivables and payables on an undiscounted basis. The amendment did not significantly impact the Company's financial statements for the three and nine month periods ending September 30, 2015.

IAS 24, Related Party Transactions clarifies that a management entity providing key management personnel services to a reporting entity is also considered a related party of the reporting entity. Therefore the amounts paid by the reporting entity in relation to those services must also be included in the amounts disclosed in the related party transactions note. Disclosures of the components of the services provided are not required. This amendment did not impact the Company's financial statements for the three and nine month periods ending September 30, 2015.

**3. Significant accounting policies** *(Continued from previous page)*

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

Certain new standards have been published that are mandatory for the Company's accounting periods beginning on or after January 1, 2015 or later periods that the Company has decided not to early adopt, and which management has not yet assessed the impact. The new IFRS standards not yet applied include:

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

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

## 4. Loans receivable

Loans receivable represent unsecured installment loans, lines of credit and short-term loans advanced to customers in the normal course of business. The terms of the loans vary from 14-30 days typically for short-term loans, 1 year for lines of credit, and 1-5 years for installment loans. As the installment loans are issued with maturity dates beyond one year, they are considered non-current. The breakdown of the Company's gross loans receivable as at September 30, 2015 and December 31, 2014 is as follows:

| | **September 30, 2015** | December 31, 2014 |
|---|---|---|
| Current | **37,769,865** | 22,223,330 |
| Non-current | **16,150,565** | 38,609 |
| | **53,920,430** | 22,261,939 |

**Age analysis of loans receivable**

| | **September 30, 2015** | December 31, 2014 |
|---|---|---|
| Current | **46,856,644** | 17,335,829 |
| 1-30 days past due | **1,775,546** | 1,063,659 |
| 31-60 days past due | **1,210,644** | 947,879 |
| 61-90 days past due | **1,095,478** | 753,780 |
| 91-120 days past due | **1,047,403** | 815,134 |
| 121-150 days past due | **1,067,142** | 698,067 |
| 151-180 days past due | **867,573** | 647,591 |
| Gross loans receivable | **53,920,430** | 22,261,939 |
| Allowance for loan losses | **(5,615,100)** | (3,085,265) |
| | **48,305,330** | 19,176,674 |

**Allowance for loan losses**

| | **Nine Months Ended September 30, 2015** | Year Ended December 31, 2014 |
|---|---|---|
| Balance, beginning of period | **3,085,265** | 3,747,447 |
| Provision for loan losses | **10,387,553** | 7,600,387 |
| | **13,472,818** | 11,347,834 |
| Charge offs | **(7,857,718)** | (8,262,569) |
| Balance, end of period | **5,615,100** | 3,085,265 |

The provision for loan losses expense in the consolidated statement of comprehensive loss is recorded net of recoveries for the three and nine months ended September 30, 2015 of $216,509 and $586,996, respectively (three and nine months ended September 30, 2014 - $168,181 and $310,605, respectively).

## 5. Related party transactions

Debenture balances include $2,249,770 (December 31, 2014 - $2,249,770) due to related parties, including shareholders, Company officers and management. Interest incurred on related party debenture balances during the three and nine months ended September 30, 2015 totalled $103,058 and $289,868, respectively (three and nine months ended September 30, 2014 - $99,037 and $545,187 respectively).

All transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 6. Property and equipment

| | Computer equipment | Furniture and fixtures | Leasehold improvements | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at December 31, 2013 | 728,944 | 607,884 | 348,901 | 1,685,729 |
| Additions | 281,496 | 33,206 | - | 314,702 |
| Balance at December 31, 2014 | 1,010,440 | 641,090 | 348,901 | 2,000,431 |
| Additions | 739,769 | 845,550 | 1,474,366 | 3,059,684 |
| **Balance at September 30, 2015** | **1,750,209** | **1,486,640** | **1,823,267** | **5,060,116** |
| **Accumulated depreciation** | | | | |
| Balance at December 31, 2013 | 549,607 | 438,242 | 269,533 | 1,257,382 |
| Additions | 91,559 | 37,293 | 15,874 | 144,726 |
| Balance at December 31, 2014 | 641,166 | 475,535 | 285,407 | 1,402,108 |
| Additions | 139,070 | 35,275 | 33,126 | 207,471 |
| **Balance at September 30, 2015** | **780,236** | **510,810** | **318,533** | **1,609,579** |
| **Net book value** | | | | |
| **At December 31, 2014** | **369,274** | **165,555** | **63,494** | **598,323** |
| **At September 30, 2015** | **969,972** | **975,830** | **1,504,734** | **3,450,537** |

Depreciation of Leasehold improvements are included in General and Administration expenses. Depreciation expense for all other property and equipment are included in technology and development costs. The carrying value of assets not being depreciated is $452,776 (December 31, 2014 - $nil).

## 7. Intangible assets

| | Internally generated - Completed | Internally generated - In Process | Vendor Purchases | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at December 31, 2013 | 153,477 | 2,351,890 | 2,730,427 | 5,235,794 |
| Additions | - | 1,741,736 | 252,787 | 1,994,523 |
| Transfers | 2,147,121 | (2,147,121) | - | - |
| Balance at December 31, 2014 | 2,300,598 | 1,946,505 | 2,983,214 | 7,230,317 |
| Additions | - | 2,813,518 | 187,734 | 3,001,252 |
| **Balance at September 30, 2015** | **2,300,598** | **4,760,023** | **3,170,948** | **10,231,569** |
| **Accumulated depreciation** | | | | |
| Balance at December 31, 2013 | 90,678 | - | 2,424,382 | 2,515,060 |
| Additions | 1,136,355 | - | 123,002 | 1,259,357 |
| Balance at December 31, 2014 | 1,227,033 | - | 2,547,384 | 3,774,417 |
| Additions | 805,178 | - | 120,493 | 925,671 |
| **Balance at September 30, 2015** | **2,032,211** | **-** | **2,667,877** | **4,700,088** |
| **Net book value** | | | | |
| **At December 31, 2014** | **1,073,565** | **1,946,505** | **438,830** | **3,455,900** |
| **At September 30, 2015** | **268,385** | **4,760,023** | **503,071** | **5,531,479** |

Intangible assets include both internally generated and acquired software with finite useful lives. Amortization of intangible assets is included in technology and development costs.

## 8. Credit facilities

The Company currently has two credit facilities, the “Corporate Credit Facility #1”, which is used to finance the Company’s Zip and Mini loan products, and the “Liquid Credit Facility”, which is used to finance the Company’s Liquid loan products.

The Corporate Credit Facility #1 consists of a term loan that authorizes an operating line for a maximum of $30 million and matures on February 24, 2017. Under the terms of the agreement, the facility may be increased up to $50 million upon certain conditions. The amount drawn on the facility as at September 30, 2015 was $17,982,629 (December 31, 2014 – $13,627,620) with unamortized deferred financing costs of $548,899 (December 31, 2014 – $808,904) netted against the amount owing. The term loan bears interest at a variable rate of LIBOR plus 13.00% (with a LIBOR floor of 2.00%), with an additional 0.50% charged on the unused portion of the facility. As at September 30, LIBOR was 0.193% (December 31, 2014 – 0.171%). Interest expense on the Corporate Credit Facility #1 is included in funding interest expense in the interim condensed consolidated statement of comprehensive loss.

On September 1, 2015 the Company entered into the Liquid Credit Facility through a special purpose entity called Mogo Finance Trust. The Liquid Credit Facility is secured by the Liquid installment loans and therefore has no recourse to the Company other than with respect to certain limited and narrow ‘bad boy’ acts. The Liquid Credit Facility consists of a term loan that authorizes an operating line for a maximum of $50 million and matures on August 31, 2020. Under the terms of the agreement, the facility may be increased up to $200 million upon certain conditions. The amount drawn on the facility as at September 30, 2015 was $11,325,581 (December 31, 2014 – nil) with unamortized deferred financing costs of $600,342 (December 31, 2014 –nil) netted against the amount owing. The term loan bears interest at a variable rate of LIBOR plus 8.00% (with a LIBOR floor of 1.50%). As at September 30, LIBOR was 0.193% (December 31, 2014 – 0.171%). Interest expense on the credit facility is included in funding interest expense in the interim condensed consolidated statement of comprehensive loss.

Both credit facilities are subject to a number of financial covenants, including: (1) the Company maintaining a minimum tangible net worth, (2) the Company maintaining a minimum aggregate of investments in cash and cash equivalents, (3) the Company maintaining a maximum debt to tangible net worth and (4) the Company achieving positive net income in Q1 2017 and each fiscal year thereafter. The financial covenants came into effect upon issuance of the existing facility. As of September 30, 2015 and December 31, 2014, the Company is in compliance with these covenants.

## 9. Debentures

Debentures require interest only payments bearing interest at monthly rates ranging between [1.00% and 1.52%] (December 31, 2014 – 1.00% and 1.52%) with principal amounts of $17,274,685, $7,686,000 and $14,677,510 due during the years ended 2017, 2018 and 2019 respectively. Interest expense on the debentures is included in corporate interest expense in the interim condensed consolidated statement of comprehensive loss. Debentures are subordinated to the credit facility and are secured by the assets of the Company and subject to renewal at the option of the lender.

## 10. Share capital

On June 25, 2015, the Company completed an initial public offering of 5,000,000 common shares at a price of $10.00 per share for gross proceeds of $50,000,000 (the "Offering"). The net proceeds received by the Company were $45.2 million after deducting underwriters' fees and other fees and expenses associated with the Offering.

The Company's common share have no par value and the authorized share capital is comprised of an unlimited number of common shares, an unlimited number of Class A preferred shares and an unlimited number of Class B preferred shares.

Issued and outstanding share capital:

| | Number of shares | Amount |
|---|---|---|
| **Common shares** | | |
| Balance, December 31, 2013 | 20,000,000 | 1,000 |
| Shares issued on exchange of debentures | 2,765,824 | 4,842,960 |
| Shares issued on exercise of options | 250,000 | 148,807 |
| Share issue costs | - | (153,794) |
| Balance, December 31, 2014 | 23,015,824 | 4,838,973 |
| Class A preferred shares conversion (ii) | 2,910,231 | 5,687,050 |
| Class B preferred shares conversion (iii) | 13,250,936 | 29,618,058 |
| Share consolidation (iv) | (26,117,994) | - |
| Shares issued through initial public offering | 5,000,000 | 50,000,000 |
| Share issue costs associated with initial public offering | - | (4,816,915) |
| Reduction of stated capital (v) | - | (40,144,080) |
| Shares issued on exercise of warrants (Note 15b) | 103,435 | 131,402 |
| Balance, September 30, 2015 | 18,162,432 | 45,314,488 |
| **Class A preferred shares** | | |
| Balance, December 31, 2013 | - | - |
| Shares issued on exchange of debentures | 515,705 | 5,157,050 |
| Shares issued by private placement | 3,000 | 30,000 |
| Shares issued on exchange of debentures | 50,000 | 500,000 |
| Balance, December 31, 2014 | 568,705 | 5,687,050 |
| Conversion to common shares (ii) | (568,705) | (5,687,050) |
| Balance, September 30, 2015 | - | - |
| **Class B preferred shares** | | |
| Balance, December 31, 2013 | - | - |
| Shares issued by private placement | 5,490,266 | 10,706,019 |
| Shares issued by private placement | 6,098,819 | 18,601,402 |
| Share issue costs | - | (915,634) |
| Balance, December 31, 2014 | 11,589,085 | 28,391,787 |
| Shares issued by private placement (i) | 402,056 | 1,226,271 |
| Conversion to common shares (iii) | (11,991,141) | (29,618,058) |
| Balance, September 30, 2015 | - | - |
| **Total** | | **45,314,488** |

**(i)** In February and March, 2015, the Company issued a total of 402,056 Class B preferred shares for gross proceeds of $1,226,271.

**(ii)** Immediately prior to the closing of the Offering, cumulative dividends of $1,103,489 were settled via the issuance of 472,924 Class A preferred shares of the Company. Subsequent to the dividend settlement the Class A preferred shares of the Company were converted to common shares at a 30% discount to the Offering share price.

**(iii)** Immediately prior to the closing of the Offering, the Class B preferred shares were converted to common shares at a ratio of 1:1, adjusted in accordance with the anti-dilution provisions outlined in the Company's articles.

10. **Share capital** *(Continued from previous page)*

**(iv)** On June 1, 2015, the shareholders of the Company approved a resolution such that immediately prior to the completion of the Offering, the Common shares of the company were consolidated on a 3 to 1 basis. The number of issued and outstanding shares, options and warrants has been retrospectively restated for all periods presented unless otherwise stated.
**(v)** On June 23, 2015, the Board of Directors voted to reduce the Company's stated capital and retained deficit by $40,144,081.

## 11. Expenses by nature

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2015** | September 30, 2014 | **September 30, 2015** | September 30, 2014 |
| Personnel expense | **5,901,148** | 3,286,363 | **14,991,492** | 8,089,170 |
| Depreciation and amortization | **424,319** | 358,384 | **1,133,143** | 1,045,158 |
| Premises | **537,979** | 222,233 | **1,205,197** | 628,088 |

## 12. Loss per share

Loss per share is based on the consolidated loss for the year divided by the weighted average number of shares outstanding during the year. Diluted loss per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

The calculated weighted average number of common shares issued and outstanding are based on the post share consolidation common shares for all periods presented.

The following reflects the loss and share data used in the basic and diluted loss per share computations:

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | **September 30, 2015** | September 30, 2014 | **September 30, 2015** | September 30, 2014 |
| Loss attributed to shareholders | **(6,806,717)** | (3,926,206) | **(15,755,691)** | (10,463,441) |
| Basic weighted average number of shares | **18,162,432** | 7,671,941 | **18,162,432** | 7,671,941 |
| Basic and diluted loss per share | **(0.375)** | (0.512) | **(0.867)** | (1.364) |

The outstanding stock options and warrants were excluded from the calculation of the above diluted loss per share because their effect is anti-dilutive.

## 13. Fair value of financial instruments

The fair value of cash and cash equivalents, current loans receivable, accounts payable and accruals is approximated by their carrying amount due to their short-term nature.

The fair values of the Company's installment loans are estimated using discounted cash flows based upon the Company's current borrowing rates for similar borrowing arrangements, which are classified as Level 3 inputs within the fair value hierarchy. The carrying value of the Company's installment loans approximates their fair value as new loans granted with similar risk profiles bear similar rates of return.

The fair values of the Company's debentures are estimated using discounted cash flows based upon the Company's current borrowing rates for similar borrowing arrangements, which are classified as Level 2 inputs within the fair value hierarchy. The carrying value of debentures approximates its fair value as new debt granted with similar risk profiles bears similar rates of return.

The fair values of the Company's derivative warrant liability is determined using the Black Scholes fair value methodology using Level 2 inputs.

Management has determined that the fair value of the credit facilities do not materially differ from their carrying values as the facilities are subject to a floating interest rate, effecting current market conditions, and there have been no significant changes in the Company's risk profile since issuance of the credit facilities.

**13. Fair value of financial instruments** *(Continued from previous page)*

**Fair value hierarchy**

Assets and liabilities recorded at fair value in the statement of financial position are measured and classified in a hierarchy consisting of three levels for disclosure purposes; the three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- Level 1: Unadjusted quoted prices in an active market for identical assets and liabilities.

- Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices). Inputs include quoted prices for assets in markets that are considered less active.

- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities.

There are no financial assets or liabilities subsequently measured at fair value as at September 30, 2015 or December 31, 2014.

**Nature and extent of risk arising from financial instruments**

***Risk management policy***

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 manages the risks, as follows:

***Credit concentration***

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

The Company has little concentration of credit risk with any particular individual, company or other entity.

However, the credit risk relates to the possibility of default of payment on the Company's loans receivable. The Company performs on-going credit evaluations, aging of loans receivable, payment history, and allows for uncollectible amounts when determinable.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due or will not receive sufficient funds from its third party lenders to advance to the Company's customers. The Company manages all liquidity risk by maintaining a sufficient working capital amount through daily monitoring of controls, cash balances and operating results. The Company's principal sources of cash are funds from operations, which the Company believes will be sufficient to cover its normal operating and capital expenditures.

The maximum exposure to liquidity risk is represented by the carrying amount of accounts payable and accruals, credit facilities and debentures which at September 30, 2015 total $76,388,040 (December 31, 2014 – $56,438,821).

**Nature and extent of risk arising from financial instruments** *(Continued from previous page)*

***Foreign currency risk***

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign currency risk on the following financial instruments denominated in United States dollars.

Cash $43,025 (December 31, 2014 – $46,732)
Debentures $5,095,000 (December 31, 2014 – $5,095,000)

***Interest rate risk***

Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on their fair value of other financial assets or liabilities, known as price risk. The Company is exposed to interest rate risk primarily relating to its credit facilities that bears interest that fluctuates with LIBOR. As LIBOR is currently at 0.85% at September 30, 2015 and the credit facilities have a LIBOR floor of 2% and 1.5% respectively, a 0.50 basis change in LIBOR would not increase or decrease funding interest expense. The debentures have fixed rates of interest.

***Other price risk***

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

## 14. Share-based compensation

(a) Options

The Company has a stock option plan that provides for the granting of options to directors, officers, employees and consultants. The maximum number of common shares reserved for issuance under the stock option plan is 1,700,000. The Board of Directors shall set an exercise price at the time that an option is granted under the plan.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of expiry, based on a maximum term of eight years.

Total share-based compensation expense for the three and nine months ended September 30, 2015 was $396,000 and $553,041, respectively (three and nine months ended September 30, 2014 - $41,632 and $259,976, respectively).

A summary of the status of the stock options and changes in the period is as follows:

| | Options Outstanding | Weighted Average Grant Date Fair Value$ | Weighted Average Exercise Price$ | Options Exercisable | Weighted Average Exercise Price$ |
|---|---|---|---|---|---|
| **As at December 31, 2013** | **708,000** | | **2.10** | **50,139** | **2.10** |
| Options granted | 293,965 | 1.57 | 4.14 | | |
| Forfeited | (20,000) | 1.10 | 5.25 | | |
| Exercised | (83,333) | 2.10 | 0.003 | | |
| **As at December 31, 2014** | **898,632** | | **2.89** | **325,577** | **2.10** |
| Options granted | 482,466 | 2.95 | 9.26 | | |
| Forfeited | (24,333) | 1.33 | 5.37 | | |
| **As at September 30, 2015** | **1,356,765** | | **5.12** | **466,647** | **2.32** |

The above noted options outstanding have maturity dates ranging from November 2021 to March 2023.

**14. Share-based compensation** *(Continued from previous page)*

The fair value of each option granted was estimated using the Black-Scholes option pricing model with the following assumptions:

| | **For the nine months ended September 30, 2015** | **For the year ended December 31, 2014** |
|---|---|---|
| Exercise price | $6.60 – 10.00 | $0.003 – 9.15 |
| Grant date fair value | $1.74 - 3.60 | $0.45 – 4.35 |
| Risk-free interest rate | 0.61 – 0.88% | 1.34 - 1.90% |
| Expected life | 5 years | 5 years |
| Expected volatility in market price of shares | 40% | 40% |
| Expected dividend yield | 0% | 0% |
| Expected forfeiture rate | 15% | 15% |

These options generally vest either immediately or annually over a three to four year period. Volatility is estimated using historical data of comparable publicly traded companies operating in a similar segment.

(b) Warrants

| | **Warrants Outstanding** | **Weighted Average Grant Date Fair Value $** | **Weighted Average Exercise Price $** |
|---|---|---|---|
| **As at December 31, 2013** | **-** | **-** | **-** |
| Warrants granted | 170,772 | 0.78 | 4.68 |
| Warrants granted | 98,323 | 0.90 | 7.35 |
| **As at December 31, 2014** | **269,095** | | **5.64** |
| Anti-dilution protection | 12,590 | | **5.39** |
| Warrants granted | 83,333 | 0.65 | **5.87** |
| Warrants exercised | (183,362) | | **(4.36)** |
| **As at September 30, 2015** | **181,656** | | **6.66** |

The 181,656 warrants noted above have maturity dates ranging from February to September, 2025. All warrants outstanding are exercisable.

On September 1, 2015, the Company entered into the Liquid Credit Facility authorizing an operating line for a maximum of $50 million. In connection with this credit facility, the Company issued warrants to purchase 83,333 common shares. Each warrant entitles the holder to purchase one common share of the Company at a price of $5.87 until the earlier of a Liquidation Event or September 1, 2025. A Liquidation Event is defined as either a voluntary or involuntary liquidation, dissolution or winding up of the Company, amalgamation of the Company, sale of substantially all of the Company's assets, or a share transaction where the shareholders prior to sale do not continue to hold more than a 50% voting interest following such a transaction. A net equity settlement option based on share prices on the open market at the time of the transaction and the exercise price attached to the outstanding warrants is treated, per IFRS Fair Value Measurement requirements, as a derivative financial liability and the fair value movement during the period is recognized in the consolidated statement of operations.

Under the terms of the Company’s credit facility and articles, the previously issued warrants were subject to anti-dilution clauses. As a result of a net equity settlement 183,362 post-consolidation warrants were exchanged for 103,435 common shares of the Company, based on share prices on the open market at the time of the transaction and the exercise price attached to the outstanding warrants. No cash was received by the Company on the settlement of these instruments.

**14. Share-based compensation** *(Continued from previous page)*

The fair value of the warrants outstanding was estimated using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Exercise price | \$5.85 - \$9.15 |
| Risk-free interest rate | 0.95% - 1.43% |
| Expected life | 2-10 years |
| Expected volatility in market price of shares | 40% |
| Expected dividend yield | 0% |
| Expected forfeiture rate | 0% |

(c) Restricted share units

RSUs are granted to executives and other key employees. The value of an RSU at the grant date is equal to the value of one of the Company's common shares. Dividends in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on the Company's common shares. Executives and other key employees are granted a specific number of RSUs for a given performance period based on their position and level of contribution. RSUs vest fully after three years of continuous employment from the date of grant and, in certain cases, if performance objectives are met as determined by the Board of Directors. The maximum aggregate number of common shares issuable from treasury by the Company pursuant to the RSU Plan is 200,000.

Details of outstanding RSUs as at September 30, 2015 are as follows:

| **Number of RSUs** | |
|---|---|
| **Outstanding, January 1, 2015** | **-** |
| Granted | 100,000 |
| **Outstanding, September 30, 2015** | **100,000** |

**15. Comparative figures**

As a result of changes to the Company's product offerings, specifically with respect to the growth in installment loans, the Company has presented its statement of financial position in order of liquidity. As a result of this change, the comparative statement of financial position for the year ended December 31, 2014 has also been presented in order of liquidity. Furthermore, certain comparative figures on the statement of comprehensive loss have been reclassified to conform with current year presentation.