

Mogo Finance Technology Inc.
Unaudited Interim Condensed Consolidated Financial Statements
September 30, 2016

Mogo Finance Technology Inc.
Interim Condensed Consolidated Statement of Financial Position
(Unaudited)

	September 30, 2016	December 31, 2015
		<i>(audited)</i>
Assets		
Cash and cash equivalents	22,098,346	31,723,854
Loans receivable (Note 4)	63,187,209	61,768,366
Prepaid expenses, deposits and other assets	1,324,776	1,143,387
Deferred cost (Note 6)	922,164	-
Investment tax credits	738,819	1,616,353
Property and equipment (Note 7)	4,102,608	4,239,017
Intangible assets (Note 8)	11,148,994	6,851,448
	103,522,916	107,342,425
Liabilities		
Accounts payable and accruals	6,615,096	5,057,202
Other liabilities (Note 9)	1,234,843	1,419,614
Credit facilities (Note 10)	47,055,869	40,384,293
Debentures (Note 11)	39,957,651	40,326,022
Derivative financial liability (Note 18)	30,812	129,457
	94,894,271	87,316,588
Shareholders' Deficit		
Share capital (Note 12)	45,654,988	45,314,488
Contributed surplus	3,644,555	1,517,850
Deficit	(40,670,898)	(26,806,501)
	8,628,645	20,025,837
	103,522,916	107,342,425

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, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Revenue				
Loan fees	6,246,596	7,746,712	20,307,134	22,706,800
Loan interest	4,056,521	2,347,806	11,486,729	4,863,059
Other revenues	2,309,247	1,457,451	6,250,210	3,452,435
	12,612,364	11,551,969	38,044,073	31,022,294
Cost of revenue				
Provision for loan losses, net of recoveries (Note 4)	4,190,250	3,579,650	12,453,920	9,800,557
Transaction costs	821,078	751,348	2,646,372	1,901,526
	5,011,328	4,330,998	15,100,292	11,702,083
Gross profit	7,601,036	7,220,971	22,943,781	19,320,211
Operating expenses				
Technology and development	2,688,245	2,133,548	7,637,166	5,371,624
Customer service and operations	1,776,147	2,394,057	5,486,723	6,366,208
Marketing	1,229,415	3,655,782	5,467,258	8,213,853
General and administration	2,317,687	3,008,448	7,953,236	7,294,009
Total operating expenses	8,011,494	11,191,835	26,544,383	27,245,694
Loss from operations	(410,458)	(3,970,864)	(3,600,602)	(7,925,483)
Other expenses				
Funding interest expense (Note 10)	1,589,027	820,702	4,526,917	2,246,437
Corporate interest expense (Note 11)	1,558,539	1,568,935	4,704,843	4,682,852
Unrealized foreign exchange (gain) loss	55,026	436,721	(368,371)	893,002
Unrealized (gain) loss on derivative liability	(24,297)	-	(98,645)	-
Store closure and related expenses (Note 14)	-	-	1,506,193	-
Other financing (income) expenses	(11,872)	5,716	(7,657)	4,565
	3,166,423	2,832,074	10,263,280	7,836,856
Loss before income taxes	(3,576,881)	(6,802,938)	(13,863,882)	(15,752,339)
Provision for income taxes	-	3,779	515	3,353
Loss and comprehensive loss	(3,576,881)	(6,806,717)	(13,864,397)	(15,755,692)
Loss per share (Note 15)				
Basic and fully diluted	(0.196)	(0.375)	(0.760)	(0.867)
Weighted average number of basic and fully diluted common shares	18,280,210	18,162,432	18,241,524	18,162,432

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 Deficit
(Unaudited)

	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2015	45,314,488	1,517,850	(26,806,501)	20,025,837
Loss and comprehensive loss	-	-	(13,864,397)	(13,864,397)
Stock based compensation	-	829,629	-	829,629
Options exercised	340,500	(93,166)	-	247,334
Issuance of warrants	-	1,390,242	-	1,390,242
Balance, September 30, 2016	45,654,988	3,644,555	(40,670,898)	8,628,645

	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	(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

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

Mogo Finance Technology Inc.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Cash provided by (used for) the following activities				
Operating activities				
Loss and comprehensive loss	(3,576,881)	(6,806,717)	(13,864,397)	(15,755,692)
Depreciation and amortization	551,301	424,319	1,468,964	1,133,143
Amortization of deferred finance costs	128,132	93,766	398,513	267,103
Amortization of marketing setup fee	102,462	-	307,386	-
Non-cash store closure cost	-	-	1,180,149	-
Provision for loan losses	4,514,452	3,796,159	13,354,996	10,387,385
Stock based compensation expense	198,966	396,000	829,629	553,041
Derivative financial liability fair value adjustment	(24,297)	-	(98,645)	-
Non-cash warrant expense	63,414	-	190,242	-
Unrealized foreign exchange (gain) loss	55,026	435,623	(368,371)	888,568
	2,012,575	(1,660,850)	3,397,466	(2,526,452)
Changes in working capital accounts				
Increase in loans receivable	(4,684,681)	(19,044,887)	(14,772,839)	(39,516,038)
Investment tax credits	524,534	-	877,534	(157,500)
Prepaid expenses, deposits and other assets	(354,560)	264,608	(181,390)	(698,284)
Deferred cost	-	-	(1,229,550)	-
Accounts payable and accruals	(97,843)	554,511	590,953	3,532,998
Other liabilities	(29,090)	-	(184,771)	-
Net cash used in operating activities	(2,629,065)	(19,886,618)	(11,502,597)	(39,365,276)
Investing activities				
Purchases of property and equipment	(82,563)	(1,999,435)	(865,394)	(3,059,684)
Investment in software	(1,668,509)	(1,365,233)	(4,977,915)	(3,001,252)
Net cash used in investing activities	(1,751,072)	(3,364,668)	(5,843,309)	(6,060,936)
Financing activities				
Proceeds from initial public offering, net of issuance costs	-	30,652	-	45,183,085
Credit facility advanced	2,346,827	10,517,549	6,273,064	15,680,590
Credit facility financing costs	-	(203,965)	-	(425,873)
Options exercised	-	-	247,334	-
Issuance of warrants	-	54,164	1,200,000	54,164
Proceeds from issuance of Class B preferred shares, net of share issuance costs	-	-	-	1,226,271
Net cash provided by financing activities	2,346,827	10,398,400	7,720,398	61,718,237
Increase (decrease) in cash resources	(2,033,310)	(12,852,886)	(9,625,508)	16,292,025
Cash and cash equivalents, beginning of year	24,131,656	52,743,583	31,723,854	23,598,672
Cash and cash equivalents, end of period	22,098,346	39,890,697	22,098,346	39,890,697

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

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

1. Nature of operations

Mogo Finance Technology Inc. (the "Company") was incorporated under the Business Corporations Act (British Columbia) on August 26, 2003. The address of the Company's registered office is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8. The Company's common shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "GO".

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

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 (the "IASB"). The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2015.

The Company presents its interim condensed consolidated statement of financial position on a non-classified basis in order of liquidity.

These interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 and September 30, 2015 were authorized for issue by the Company's Board of Directors (the "Board") on November 9, 2016.

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 Board 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 Board have defined as being at least the next 12 months. In arriving at this judgment, Management has prepared 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 (Manitoba) Inc., Mogo Financial Inc., Mogo Finance Trust Inc., Mogo Financial (Ontario) Inc., Mogo Mortgage Technology 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.

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

2. Basis of presentation (Continued from previous page)

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

Use of estimates and judgements

The preparation of the interim condensed consolidated financial statements requires management to make estimates, assumptions and judgments 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, 2015.

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, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016.

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

Investment tax credits

The Company makes claims for Scientific Research and Experimental Development ("SRED") expenditures. As estimate of the amounts to be received based on SRED claims filed or pending filing are included in investment tax credits ("ITCs") on the statement of financial position in the amount of \$738,819 (2015 - \$1,616,353). Judgment is required in the determination of qualifying expenses. The final determination of qualifying expenses is not known until acceptance by tax authorities. IFRS requires the Company to estimate the ultimate collection of these credits. Actual collection may be materially different than what is recorded in the financial statements. During Q3 2016, we received our 2013 claim (which represented \$475,853 of the outstanding balance as at June 30, 2016) in the amount of \$524,534. The difference of \$48,601 was taken as a reduction to our outstanding 2014 claim amount. The estimated ITCs recognized at September 30, 2016 for the 2014 and 2015 SRED claims are \$581,319 and \$157,500, respectively. The 2015 claim has yet to be filed with CRA but will be filed prior to any filing deadlines.

Subsequent to September 30, 2016, the CRA accepted our 2014 SRED claim as filed with a claim of \$767,042 being awarded. The \$185,723 that is in excess of the asset we had recorded as at September 30, 2016 will be recorded as a reduction to general and administrative expenses during Q4 2016.

Recent IFRS standards and interpretations adopted in 2016

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

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

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

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, 2017 or later periods that the Company has decided not to early adopt, and which management is currently assessing the impact of. 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.

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

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

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

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

Amendments to IFRS 2, Share-based Payment, were issued in June 2016 and are effective for the Company beginning on January 1, 2018. The amendments to IFRS 2 clarify the accounting requirements for certain share-based payment transactions. The Company is assessing the impact of this amendment 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, 2016 and December 31, 2015 is as follows:

	September 30, 2016	December 31, 2015
Current	40,623,124	40,486,984
Non-Current	30,365,147	27,848,144
	70,988,271	68,335,128

Age analysis of loans receivable

	September 30, 2016	December 31, 2015
Not past due	62,485,993	60,073,163
1-30 days past due	1,538,302	2,031,984
31-60 days past due	1,582,385	1,597,605
61-90 days past due	1,277,536	1,139,324
91-120 days past due	1,218,766	1,306,987
121-150 days past due	1,335,964	1,218,992
151-180 days past due	1,549,325	967,073
Gross loans receivable	70,988,271	68,335,128
Allowance for loan losses	(7,801,062)	(6,566,762)
	63,187,209	61,768,366

	September 30, 2016	December 31, 2015
Balance, beginning of period	6,566,762	3,085,265
Provision for loan losses	13,353,996	14,510,165
	19,920,758	17,595,430
Charge offs	(12,119,696)	(11,028,668)
Balance, end of period	7,801,062	6,566,762

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

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

4. Loans receivable *(Continued from previous page)*

The provision for loan losses expense in the interim condensed consolidated statement of comprehensive loss is recorded net of recoveries for the three and nine months ended September 30, 2016 of \$324,202 and \$900,076, respectively (three and nine months ended September 30, 2015 – \$216,509 and \$586,996, respectively).

5. Related party transactions

Debenture balances include \$2,174,771 (December 31, 2015 - \$2,249,770) due to related parties, including shareholders, directors and management. Interest incurred on related party debenture balances during the three and nine months ended September 30, 2016 totalled \$97,119 and \$291,357, respectively (three and nine months ended September 30, 2015 - \$103,058 and \$289,868, respectively).

Included in loans receivable is \$26,660 (December 31, 2015 – \$35,000) due from a related party.

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. Deferred cost

The Company and Postmedia Network Inc. ("Postmedia") have entered into a three year Marketing Collaboration Agreement (the "Postmedia Agreement") effective January 25, 2016, where Postmedia will provide Mogo with a minimum value of \$50 million of promotional commitments in exchange for entering into a revenue sharing arrangement with Mogo. The Postmedia Agreement can be terminated under certain circumstances by either party after the first anniversary. The initial term may be extended by a further two years by mutual consent.

Mogo will be able to use the promotional commitments to market and advertise its products and services across more than 200 of Postmedia's print, media, and online properties across Canada. During the term of the Postmedia Agreement, Mogo will pay Postmedia a performance based revenue share equal to 4% of its annual revenue up to \$50 million and 11% of incremental revenues above \$50 million per annum subject to certain adjustments in accordance with the terms and conditions of the Postmedia Agreement. Mogo paid Postmedia a one-time program setup fee of \$1,171,000 plus tax, which is being amortized over the life of the Postmedia Agreement. The remaining balance as at September 30, 2016 is \$922,164.

Mogo Finance Technology Inc.
Notes to the Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2016 and September 30, 2015

7. Property and equipment

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at December 31, 2014	1,010,440	641,090	348,901	2,000,431
Additions	893,550	1,158,242	2,037,064	4,088,856
Balance at December 31, 2015	1,903,990	1,799,332	2,385,965	6,089,287
Additions	367,150	20,226	478,018	865,394
Disposals	(259,991)	(235,486)	(284,508)	(779,985)
Balance at September 30, 2016	2,011,149	1,584,072	2,579,475	6,174,696
Accumulated depreciation				
Balance at December 31, 2014	641,166	475,535	285,407	1,402,108
Additions	224,507	94,030	129,625	448,162
Balance at December 31, 2015	865,673	569,565	415,032	1,850,270
Additions	266,957	181,452	340,833	789,242
Disposals	(200,566)	(199,566)	(167,292)	(567,424)
Balance at September 30, 2016	932,064	551,451	588,573	2,072,088
Net book value				
At December 31, 2015	1,038,317	1,229,767	1,970,933	4,239,017
At September 30, 2016	1,079,085	1,032,621	1,990,902	4,102,608

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 \$38,854 (December 31, 2015 - \$101,305).

Mogo Finance Technology Inc.
Notes to the Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2016 and September 30, 2015

8. Intangible assets

	Internally generated - completed	Internally generated - in process	Vendor purchases	Total
Cost				
Balance at December 31, 2014	2,300,598	1,946,505	2,983,214	7,230,317
Additions	-	4,364,431	276,148	4,640,579
Balance at December 31, 2015	2,300,598	6,310,936	3,259,362	11,870,896
Additions	-	4,901,097	76,818	4,977,915
Disposals	-	-	(6,801)	(6,801)
Transfers	5,194,374	(5,194,374)	-	-
Balance at September 30, 2016	7,494,972	6,017,659	3,329,379	16,842,010
Accumulated amortization				
Balance at December 31, 2014	1,227,033	-	2,547,384	3,774,417
Additions	1,073,565	-	171,466	1,245,031
Balance at December 31, 2015	2,300,598	-	2,718,850	5,019,448
Additions	544,366	-	135,355	679,721
Disposals	-	-	(6,153)	(6,153)
Balance at September 30, 2016	2,844,964	-	2,848,052	5,693,016
Net book value				
At December 31, 2015	-	6,310,936	540,512	6,851,448
At September 30, 2016	4,650,008	6,017,659	481,327	11,148,994

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

9. Other liabilities

	September 30, 2016	December 31, 2015
Deferred lease incentive	484,843	572,114
Marketing incentive	750,000	847,500
	1,234,843	1,419,614

Deferred lease inducement relates to incentive provided by landlord for our corporate office in Vancouver. Marketing incentive relates to the funds provided by one of our business partners for joint marketing efforts.

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

10. Credit facilities

The Company currently has two credit facilities, the "Credit Facility - ST", which is used to finance the Company's Zip and Mini loan products, and the "Credit Facility - Liquid", which is used to finance the Company's Liquid loan products.

On February 24, 2015, the Company entered into the Credit Facility – ST, which consists of a term loan that authorizes an operating line for a maximum of \$30 million. During Q2 2016, the maturity date for this credit facility was extended from February 24, 2017 to July 2, 2018. The amount drawn on the facility as at September 30, 2016 was \$25,940,608 (December 31, 2015 – \$19,982,629) with unamortized deferred financing costs of \$202,226 (December 31, 2015 – \$462,230) 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 2016, LIBOR was 0.531% (December 31, 2015 – 0.430%). Interest expense on the Credit Facility - ST is included in funding interest expense in the interim condensed consolidated statement of comprehensive loss.

On September 1, 2015 the Company entered into the Credit Facility – Liquid through a special purpose entity called Mogo Finance Trust. The Credit Facility – Liquid consists of a term loan that authorizes an operating line for a maximum of \$50 million and matures on August 31, 2020. 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, 2016 was \$21,967,090 (December 31, 2015 – \$21,652,007) with unamortized deferred financing costs of \$649,603 (December 31, 2015 – \$788,113) 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, 2016, LIBOR was 0.531% (December 31, 2015 – 0.430%). Interest expense on the Credit Facility - Liquid is included in funding interest expense in the interim condensed consolidated statement of comprehensive loss. During Q2 2016, the credit facility agreement was amended to remove the financial covenant of achieving positive net income in Q1 2017 and each fiscal year thereafter.

As of September 30, 2016 and December 31, 2015, the Company is in compliance with all covenants for each credit facility.

11. Debentures

Debentures require interest only payments bearing interest at monthly rates ranging between 1.00% and 1.52% (December 31, 2015 – 1.00% and 1.52%) with principal amounts of \$13,769,423, \$8,449,169, \$16,389,059, \$850,000 and \$500,000 due during the years ended 2017, 2018, 2019, 2020 and 2021 respectively. The Debentures are governed by terms of a trust deed and, among other things, are subject to a subordination agreement that prevents the Company from repaying principal on the Debentures prior to the earlier of the repayment or the maturity of the Credit Facility – ST on July 2, 2018.

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 facilities and are secured by the assets of the Company and subject to renewal at the option of the lender.

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

12. 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 shares 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	Dollar Amount
Common shares		
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 18b)	103,435	131,402
Balance, December 31, 2015	18,162,432	45,314,488
Shares issued on exercise of options	117,778	340,500
Balance, September 30, 2016	18,280,210	45,654,988
Class A preferred shares		
Balance, December 31, 2014	568,705	5,687,050
Conversion to common shares (ii)	(568,705)	(5,687,050)
Balance, December 31, 2015	-	-
Balance, September 30, 2016	-	-
Class B preferred shares		
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, December 31, 2015	-	-
Balance, September 30, 2016	-	-
Total	18,280,210	45,654,988

- (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.
- (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 would be consolidated on a 3 to 1 basis. The number of issued and outstanding shares, option and warrants has been retrospectively restated for all periods presented unless otherwise stated.

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

(v) On June 23, 2015, the Board voted to reduce the Company's stated capital and retained deficit by \$40,144,080.

13. Expenses by nature

	For the three months ended		For the nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Personnel expense	6,145,201	5,901,148	18,814,167	14,991,492
Depreciation and amortization	551,301	424,319	1,468,963	1,133,143
Premises	256,120	537,979	960,204	1,205,197

14. Store closure and related expenses

Effective March 8, 2016, the Company closed all eight legacy retail stores to align operations with Mogo's strategic goal of building the leading digital financial brand in Canada.

As a result of these closures, the Company incurred \$326,044 in one-time cash closure costs. Of these costs, \$283,690 was recorded in Q1 2016 and the remaining amount of \$42,354 was recorded in Q2 2016.

For non-cash closing costs, the Company recorded a liability associated with the terminated lease agreements in the amount of \$966,941 and \$213,208 of related property and equipment was written-off. As of September 30, 2016, the liability associated with the terminated lease agreements is \$703,097.

15. Loss per share

Loss per share is based on the consolidated loss for the quarter divided by the weighted average number of shares outstanding during the quarter. 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,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Loss attributed to shareholders	(3,576,881)	(6,806,717)	(13,864,397)	(15,755,692)
Basic weighted average number of shares	18,280,210	18,162,432	18,241,524	18,162,432
Basic and diluted loss per share	(0.196)	(0.375)	(0.760)	(0.867)

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

16. Fair value of financial instruments

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:

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For the three and nine months ended September 30, 2016 and September 30, 2015

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

- 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). Level 2 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.

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 value of the Company's non-current loans is determined by discounting expected future contractual cash flows, taking into account expected prepayments and using management's best estimate of average market interest rates with similar remaining terms, which are classified as Level 3 input within the fair value hierarchy.

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 values of debentures approximates its fair value as new debt granted with similar risk profiles bear similar rates of return.

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

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

	September 30, 2016			December 31, 2015		
	Total Fair Value	Total Carrying Value	Favorable/ (Unfavorable)	Total Fair Value	Total Carrying Value	Favorable/ (Unfavorable)
Loans Receivable – Non-Current (Level 3)	33,291,440	30,365,147	2,926,293	29,204,562	27,848,144	1,356,418

17. 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 financial risks as follows:

Credit risk

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

The Company acts as a lender of unsecured consumer loans and lines of credit and has little concentration of credit risk with any particular individual, company or other entity, relating to these services.

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 to mitigate this risk.

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

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

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 through 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, 2016 total \$94,480,445 (December 31, 2015 – \$87,017,860).

The following table summarizes the Company's financial liabilities with corresponding maturity:

	Less than 1 year	1-3 years	3-5 years	Total
Accounts payable and accruals	6,615,096	-	-	6,615,096
Credit facilities	-	25,940,608	21,967,090	47,907,698
Debentures	-	38,497,651	1,460,000	39,957,651
Total	6,615,096	64,438,259	23,427,090	94,480,445

Foreign currency risk

Foreign 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:

	September 30, 2016	December 31, 2015
Cash	69,861	49,448
Debentures	5,095,000	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 the 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 bear interest that fluctuates with LIBOR. As LIBOR is currently at 0.53% at September 30, 2016 (December 31, 2015 – 0.430%) and the credit facilities have LIBOR floors of 2% and 1.5% respectively, a 0.50 basis point 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.

18. Share-based compensation

(a) Options

The Company has a stock option plan (the "Plan") that provides for the granting of options to directors, officers, employees and consultants. On June 8, 2016, the Company's shareholders approved an amendment to the Plan to change the Plan from having a fixed maximum of 1,700,000 common shares issuable to a rolling maximum number of common shares issuable expressed as a percentage set at 15% of the number of common shares issued and outstanding. As of September 30, 2016, the maximum number of common shares reserved for issuance under the Plan is 2,742,031, representing 15% of the issued and outstanding common shares as of September 30, 2016. The Board sets an exercise price at the time that an option is granted under the Plan.

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

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

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

On July 26, 2016, the TSX confirmed that it has listed and reserved an additional 1,159,809 common shares of the Company for issuance upon the exercise of options granted under the Plan.

Each 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 costs for the three and nine months ended September 30, 2016 were \$198,966 and \$829,629, respectively (three and nine months ended September 30, 2015 - \$396,000 and \$553,041, respectively).

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

	Options outstanding	Weighted average grant date fair value \$	Weighted average exercise price \$ outstanding	Options exercisable	Weighted average exercise price \$ exercisable
As at December 31, 2014	898,632		2.89	327,146	2.14
Options granted	629,610	2.81	8.42		
Forfeited	(22,333)	2.08	5.38		
As at December 31, 2015	1,505,909		5.17	567,343	2.44
Options granted	953,618	0.61	1.88		
Exercised	(117,778)	0.79	2.10		
Forfeited	(137,827)	1.21	3.87		
As at September 30, 2016	2,203,922		3.64	733,064	3.72

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

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

	For the nine month period ended September 30, 2016	Cumulative to September 30, 2016
Exercise price	\$1.78 - 3.21	\$1.78 - 10.00
Grant date fair value	\$0.49 - 1.35	
Risk-free interest rate	0.53 - 1.18%	
Expected life	5 years	
Remaining contractual life		5.5 - 7 years
Expected volatility in market price of shares	50%	
Expected dividend yield	0%	
Expected forfeiture rate	15%	

Certain of these options vest immediately while the others vest over a three to four year period. Volatility is estimated using historical data of comparable publicly traded companies operating in a similar segment.

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

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

(b) Warrants

	Warrants outstanding	Weighted average grant date fair value \$	Weighted average exercise price \$
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 December 31, 2015	181,656		6.66
Warrants granted	1,196,120	1.39	2.96
As at December 31, 2016	1,377,776		3.45

The 1,377,776 warrants noted above have maturity dates ranging from February, 2021 to September, 2025. Of the warrants outstanding at September 30, 2016, 181,656 are exercisable.

In connection with the Postmedia Agreement, Mogo has issued Postmedia five year warrants to acquire 1,196,120 common shares of Mogo at an exercise price of \$2.96. 50%, of the warrants vest in equal instalments over three years while the remaining 50% vest in three equal instalments based on Mogo achieving certain quarterly revenue targets. The initial fair value of these warrants is recognized as contributed surplus over the vesting period. Mogo received \$1.2 million for the warrants.

On September 1, 2015, the Company entered into the Credit Facility - Liquid and in connection therewith, 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 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 loss.

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

	For nine month period ended September 30, 2016	Cumulative to September 30, 2016
Exercise price	\$2.96	\$2.96 - \$9.15
Risk-free interest rate	1.06%	
Expected life	5 years	
Remaining contractual life		5 – 9.5 years
Expected volatility in market price of shares	50%	
Expected dividend yield	0%	
Expected forfeiture rate	0%	

Mogo Finance Technology Inc.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2016 and September 30, 2015

18. Share-based compensation (Continued from previous page)

(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. 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, 2016 are as follows:

Number of RSUs

Outstanding, January 1, 2015	-
Granted	100,000
Outstanding, December 31, 2015	100,000
Granted	73,374
Expired	(25,000)
Outstanding, September 30, 2016	148,374