

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

- ☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934 OR
- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2019

OR

- ☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

OR

- ☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission file number **001-38409**

MOGO INC.

(previously Mogo Finance Technology Inc.)

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

British Columbia
(Jurisdiction of incorporation or organization)

2100 – 401 West Georgia Street, Vancouver, BC V6B 5A1
(Address of principal executive offices)

Gregory Feller, President & Chief Financial Officer
2100 – 401 West Georgia Street, Vancouver, BC V6B 5A1
Tel: 604-659-4380
Fax: 604-733-4944

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

_____ Title of each class	_____ Name of each exchange on which registered
Common Shares	The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. 27,557,763 common shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☐

Accelerated filer ☒
Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

☐

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

TABLE OF CONTENTS

	Page
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	9
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	9
<u>ITEM 3. KEY INFORMATION</u>	9
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	26
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	39
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	39
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	53
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	61
<u>ITEM 8. FINANCIAL INFORMATION</u>	62
<u>ITEM 9. THE OFFER AND LISTING</u>	63
<u>ITEM 10. ADDITIONAL INFORMATION</u>	64
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	77
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	77
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	78
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	78
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	78
<u>ITEM 16. [RESERVED]</u>	79
<u>ITEM 17. FINANCIAL STATEMENTS</u>	82
<u>ITEM 18. FINANCIAL STATEMENTS</u>	82

INTRODUCTION

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our”, the “Company” or “Mogo” refer to Mogo Inc. (previously Mogo Finance Technology Inc.) and its direct and indirect subsidiaries. This annual report on Form 20-F includes our audited consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 and as of December 31, 2017, 2018 and 2019, which are presented in Canadian dollars. Amounts in this annual report on Form 20-F are stated in Canadian dollars unless otherwise indicated.

On June 21, 2019, we completed our previously announced plan of arrangement (the “**Arrangement**”) with Mogo Finance Technology Inc (“**Mogo Finance**”). In connection with the Arrangement, the Company was continued into British Columbia and changed its name from Difference Capital Financial Inc. to Mogo Inc. The Arrangement is accounted for as a reverse acquisition of the Company by Mogo Finance under IFRS 3 - Business combinations, and accordingly, beginning with the second quarter of 2019, the Company’s financial statements, management’s discussion and analysis and all other documents filed with securities commissions or similar authorities in each of the provinces and territories of Canada reflect the continuing operations of Mogo Finance. See “Item 4 –A – History and Development of the Company” for more information regarding the Arrangement.

This annual report on Form 20-F may refer to trademarks, trade names and material which is subject to copyright and which are protected under applicable intellectual property laws and are the property of Mogo. Solely for convenience, our trademarks, trade names and copyrighted material referred to in this annual report on Form 20-F may appear without the ® or © symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks, trade names and copyrights. All other trademarks used in this annual report on Form 20-F are the property of their respective owners.

This annual report on Form 20-F is dated May 28, 2020. Except where otherwise indicated, the information contained in this annual report on Form 20-F is stated as of December 31, 2019.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to the Company's current expectations and views of future events. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company's ability to navigate through the COVID-19 pandemic and the overall economic impact of same;
- the Company's expectations regarding its revenue (including loan interest), expenses and operations, key performance indicators, provision for loan losses (net of recoveries) and delinquencies ratios;
- the Company's anticipated cash needs and its needs for additional financing, funding costs, and ability to extend or refinance any outstanding amounts under the Company's credit facilities;
- the Company's ability to protect, maintain and enforce its intellectual property;
- third-party claims of infringement or violation of, or other conflicts with, intellectual property rights;
- the resolution of any legal matters;
- the Company's plans for and timing of expansion of its products and services;
- the Company's future growth plans;
- the acceptance by consumers and the marketplace of new technologies and solutions;
- the Company's ability to attract new members and develop and maintain existing members;
- the Company's ability to attract and retain personnel;
- the Company's expectations with respect to advancement of its product offering;
- the Company's competitive position and the regulatory environment in which the Company operates; and
- anticipated trends and challenges in the Company's business and the markets in which it operates.
- the Company's historical investment approach, objectives and strategy, including its focus on specific sectors;
- the structuring of its investments and its plans to manage its investments; and
- the Company's expectations regarding the performance of certain sectors in which it has invested.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors that are discussed in greater detail under "Item 3. Key Information—D. Risk Factors" or elsewhere in this annual report on Form 20-F, including but not limited to:

- the duration and impact of the COVID-19 pandemic;
- economic conditions;
- disruptions in the credit markets;
- an increase in member default rates;
- our risk management efforts;
- our limited operating history in an evolving industry;
- our recent, rapid growth;
- our history of losses;
- our efforts to expand our market reach and product portfolio;
- changes in the regulatory environment or in the way regulations are interpreted;
- privacy considerations;
- material changes to the interest rate charged to our members and paid to our lenders;
- our negative operating cash flow;
- our ability to access additional capital through issuances of equity and debt securities;
- the concentration of our debt funding sources and our ability to access additional capital from those sources;
- the financial covenants under our credit facilities;
- security breaches of members' confidential information;

- a decline in demand for our products;
- our products achieving sufficient market acceptance;
- protecting our intellectual property rights;
- claims by third parties for alleged infringement of their intellectual property rights;
- the use of open source software and any failure to comply with the terms of open source licenses;
- serious errors or defects in our software and attacks or security breaches;
- the reliability of our credit scoring model;
- access to reliable third-party data;
- our levels of indebtedness;
- the adequacy of our allowance for loan losses;
- exchange rate fluctuations;
- our marketing efforts and ability to increase brand awareness;
- member complaints and negative publicity;
- misconduct and/or errors by our employees and third-party service providers;
- our ability to collect payment and service the loans we make available to our members;
- our reliance on data centers to deliver our services and any disruption thereof;
- our reliance on third-party partners and service providers to deliver our services and any disruption thereof;
- competition in our industry;
- the reliability of information provided by members;
- our reliance on key personnel, and in particular, our management;
- competition for employees;
- preserving our corporate culture;
- risks related to litigation;
- operating risk and insurance coverage;

- earthquakes, fire, power outages, flood, and other catastrophic events, and interruption by man-made problems such as terrorism;
- volatility in the market price for our publicly traded securities;
- future sales of our securities by existing shareholders causing the market price for our publicly traded securities to fall;
- no cash dividends for the foreseeable future;
- our trading price and volume declining if analysts publish inaccurate or unfavourable research about us or our business;
- risks related to operating in the cryptocurrency industry; and
- risks related to the Company's investment portfolio including:
 - o investment risk;
 - o our ability to monetize the portfolio given investments in private issuers and illiquid securities;
 - o foreign currency exposure if investments in the Company's portfolio consist of securities denominated in foreign currencies;
 - o concentration of investments;
 - o there is no guaranteed return on the Company's investments;
 - o intellectual property claims against issuers that the Company invests in;
 - o the Company's portfolio may include securities of issuers established in jurisdictions outside of Canada and the U.S.;
 - o some investments of the Company may be in markets that are new and emerging;
 - o fluctuation in Net Asset Value and valuation of the Company's portfolio;
 - o non-controlling interests;
 - o trading costs; and
 - o the Company may be limited in its ability to make follow-on investments and the dilution in the Company's holdings resulting from a failure to make such follow-on investments.

Although the forward-looking statements contained in this annual report on Form 20-F are based upon what our management believes are reasonable assumptions, these risks, uncertainties, assumptions and other factors could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements. The forward-looking statements made in this annual report on Form 20-F relate only to events or information as of the date of this annual report on Form 20-F and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this annual report on Form 20-F, including the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

You should read the following selected financial data together with “Item 5. Operating and Financial Review and Prospects – A. Operating Results,” the consolidated financial statements and the accompanying notes thereto in “Item 18. Financial Statements” (the “**Consolidated Financial Statements**”), and the other information in this annual report on Form 20-F. The selected financial data presented below is derived from our Consolidated Financial Statements, which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). No dividends have been declared by the Company. In 2019, Mogo changed the presentation of certain revenues and associated costs. Certain prior period expenses have also been reclassified to conform with current year presentation. There is no impact on loss and comprehensive loss, and no impact on the consolidated balance sheet. For more information, please refer to Note 4 in the Financial Statements contained within Item 18 to this 20-F. The selected financial information set out below may not be indicative of the Mogo’s future performance.

(\$000s, except per share amounts)	<i>For the years ended December 31</i>				
	2019	2018	2017	2016	2015
Consolidated Statements of Comprehensive Loss					
Revenue ⁽¹⁾	59,805	56,550	45,548	47,872	42,663
Gross profit	41,018	39,616	33,604	31,079	27,729
Loss from operations	(3,654)	(4,228)	(2,907)	(3,694)	(10,573)
Loss and comprehensive loss	(10,825)	(22,022)	(19,729)	(17,092)	(21,351)
Loss per share					
Basic and fully diluted	(0.42)	(0.97)	(1.07)	(0.94)	(1.63)
Weighted average number of basic and fully diluted common shares	25,545	22,714	18,381	18,251	13,133
	<i>As at December 31</i>				
	2019	2018	2017	2016	2015
Consolidated Balance Sheet Data					
Cash	10,417	20,439	40,560	18,624	31,724
Loans receivable, net	88,655	86,347	73,460	61,875	61,768
Intangible assets	21,257	18,658	14,897	12,249	6,851
Total assets	151,098	132,234	134,703	99,027	107,342
Total liabilities	149,346	140,928	120,908	93,326	87,317
Share capital	94,500	75,045	71,389	45,655	45,314
Total equity (deficit)	1,752	(8,694)	13,795	5,702	20,026

(1) Revenue amounts previously reported were \$49,870 and \$43,532 for the years 2016 and 2015 respectively.

Exchange Rate Information

The rate of exchange as of May 22, 2020 for the conversion of one Canadian dollar into United States dollars was U.S. \$0.7132 and for the conversion of one United States dollar into Canadian dollars was C\$1.4021. The following table sets forth the exchange rates for the conversion of U.S. \$1.00 into Canadian dollars for the identified periods. The rates of exchange set forth herein are shown as, or are derived from, the reciprocals of the noon buying rates in New York City for cable transfers payable in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York. The source of this data is the Board of Governors of the U.S. Federal Reserve's website (<http://www.federalreserve.gov>).

	2019	2018	2017	2016	2015	
Average	1.3269	1.2957	1.2984	1.3243	1.2791	
	May 22, 2020	April 2020	March 2020	February 2020	January 2020	December 2019
High	1.4143	1.4222	1.4539	1.3411	1.3220	1.3298
Low	1.3879	1.3903	1.3334	1.3217	1.2964	1.2962

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

In addition to any other risks contained in this annual report on Form 20-F, as well as our management's discussion and analysis and consolidated financial statements and accompanying notes, the risks described below are the principal risks that could have a material and adverse effect on our business, financial condition, results of operations, cash flows, future prospects or the trading price of our Common Shares. This annual report on Form 20-F also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See "Cautionary Note Regarding Forward Looking Statements".

The duration and impact of the COVID-19 pandemic are unknown at this time.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

We have a history of losses and may not achieve consistent profitability in the future. In addition, if we continue to grow rapidly, we may not be able to manage our growth effectively.

We generated net losses of \$10.8 million in 2019. As of December 31, 2019, we had an accumulated deficit of \$101.6 million. We will need to generate and sustain increased revenue levels in future periods in order to become profitable, and, even if we do so, we may not be able to maintain or increase our level of profitability. We intend to continue to expend significant funds to expand our marketing and sales operations, continue developing our products including further development of our platform, increase our service and general product servicing capabilities, compensate our growing employee base, and expand into new markets. In addition, our provision for loan losses, net of recoveries, is based on our expectation of future loan losses related to our loans receivable. As we continue to grow our members and loans receivable, we expect the aggregate amount of this expense will also continue to grow.

Our membership grew from 756,000 members as at December 31, 2018 to 976,000 members as at December 31, 2019. Our historical growth has placed, and may continue to place, significant demands on our management and our operational and financial resources. Our organizational structure is becoming more complex as we add additional staff, and we will need to improve our operational, financial, management and compliance controls as well as our reporting systems and procedures. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this Form 20-F, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of our publicly listed securities may significantly decrease.

We have negative operating cash flow and continued negative operating cash flow may restrict our ability to pursue our business objectives.

The Company had negative operating cash flow for the year ended December 31, 2019. The Company may require additional financing to fund its operations to the point where it is generating positive operating cash flow. Continued negative operating cash flow may restrict the Company’s ability to pursue its business objectives.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, operating results and financial condition may be harmed.

Since our founding, we have raised substantial equity and debt financing to support the growth of our business. Because we intend to continue to make investments to support the growth of our business, we may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including increasing our marketing expenditures to improve our brand awareness, developing new products or services or further improving existing products and services, enhancing our operating infrastructure and acquiring complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. In addition, our agreements with our lenders contain restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing that we secure in the future could involve further restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common shares. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

If new products and platform enhancements do not achieve sufficient market acceptance, our financial results and competitive position will be harmed.

We incur expenses and expend resources upfront to develop, acquire and market new products and platform enhancements to incorporate additional features, improve functionality or otherwise make our platform more desirable to our members. New product or platform enhancements must achieve high levels of market acceptance in order for us to recoup our investment in developing and bringing them to market.

Any new products and changes to our platform could fail to attain sufficient market acceptance for many reasons, including, without limitation, the following:

- our failure to predict market demand accurately and supply products that meet this demand in a timely fashion;
- members using our platform may not like, find useful or agree with any changes;
- defects, errors or failures in our platform;
- negative publicity about our products or our platform's performance or effectiveness;
- delays in releasing to the market new products or platform enhancements; and
- the introduction or anticipated introduction of competing products by our competitors.

If our new products or platform enhancements do not achieve adequate acceptance in the market, our competitive position, revenue and operating results could be harmed. The adverse effect on our financial results may be particularly acute because of the significant development, marketing, sales and other expenses we will have incurred in connection with new products or enhancements.

Our business is subject to extensive and evolving regulation and oversight in a variety of areas, all of which are subject to change and uncertain interpretation.

Our business is subject to numerous federal, provincial and other local laws, ordinances and regulations in each of the jurisdictions in which we operate, which are subject to change and which may impose significant costs or limitations on the way we conduct or expand our business.

As we develop and introduce new products and services, we may become subject to additional laws and regulations. In March 2018, we launched the MogoCrypto account which allows our members to buy and sell bitcoin. Bitcoin is not considered legal tender or backed by any government, and it has experienced price volatility, technological glitches and various law enforcement and regulatory interventions. We do not believe that the MogoCrypto account involves offering members securities that are subject to the registration, prospectus or other provisions of securities laws. We also do not believe the feature subjects us to regulation under securities laws, including as an investment adviser, investment dealer, portfolio manager or marketplace. However, the regulation of cryptocurrency is still an evolving area and it is possible that a court or a provincial or federal regulator could disagree with one or more of these conclusions. In addition, governments may in the future curtail or outlaw the acquisition, use or redemption of cryptocurrencies. Ownership of, holding or trading in cryptocurrencies may then be considered illegal and subject to sanction. Similar actions by regulatory bodies (such as an exchange on which the Company's securities are listed, quoted or traded) could result in restriction of the acquisition, ownership, holding, selling, use or trading in the Company's securities. Such a restriction could affect our ability to raise new capital or maintain a securities listing with an exchange (such as the Company's current listing with the Toronto Stock Exchange ("TSX") and The NASDAQ Stock Market LLC ("NASDAQ")) which would have a material adverse effect on the business, prospects or operations of the Company and harm investors in the Company's securities. Governments may also take regulatory action that may increase the cost and/or subject cryptocurrency companies to additional regulation. If we fail to comply with regulations or prohibitions applicable to us, we could face regulatory or other enforcement actions and potential fines and other consequences. Further, we might not be able to continue operating the MogoCrypto account, at least in its current form, and to the extent that the feature is viewed by the market as a valuable asset to the Company, the price of our common shares could decrease. Additionally, there is no specific accounting guidance under International Financial Reporting Standards as issued by the International Accounting Standards Board covering accounting for cryptocurrencies, which means the accounting can be complex and subject to challenge or scrutiny. The final conclusions on the accounting treatment for our cryptocurrency transactions could affect the presentation of our results of operations.

In addition, future legislation or regulations may restrict our ability to continue our current methods of operation or expand our operations and may have a negative effect on our business, results of operations, financial condition and the price of our common shares. In addition, future legislation or regulations, or amendments to the existing regulatory regime, could require us to modify our platform and processes, which may cause us to incur additional costs and lead to a reduction in revenue. As an example, between 2016 and 2018, British Columbia, Alberta and Ontario implemented amendments to legislation and regulations relating to our legacy short-term loan products, which we phased out in the third quarter of 2018. New legislation and regulations respecting 'high-cost credit products' have been implemented in Alberta and Manitoba and are currently being contemplated in British Columbia and Ontario that affect certain of our MogoMoney products. We also anticipate having to register as a 'money services business' with the Financial Transactions and Reports Analysis Centre of Canada in relation to our MogoCrypto product as a result of proposed amendments to the regulations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) as they relate to dealing in virtual currency.

While we have reviewed and revised our business model to ensure it complies with the applicable provincial and federal laws, the application of certain legislation to our business model remains uncertain. There is a risk that regulatory bodies or consumers could assert that certain federal or provincial laws are applicable where we have determined that they are not, and that we are not in compliance with such applicable requirements. If it is determined that we have not complied with the requirements of applicable laws, we could be subject to civil actions for nullification of contracts, rebate of some or all payments made by members, and damages, and/or subject to prosecution for violation of the laws, any of which outcomes could have a material adverse effect on the Company.

We and our partners obtain, store and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material and adverse effect on our business.

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. We and our third-party partners and service providers, including third-party data centers that we use, obtain and process large amounts of sensitive data, including our members' personal and credit information, bitcoin holdings and other sensitive data relating to our members and their transactions. We face risks, including to our reputation as a trusted brand, in the handling and protection of this data, and these risks will increase as our business continues to expand to include new products and technologies. Indeed, security breaches, computer malware and computer hacking attacks have been a prevalent concern for companies involved in the cryptocurrency space.

We have administrative, technical, and physical security measures in place, and we have policies and procedures in place to contractually require third parties to whom we transfer data to implement and maintain appropriate security measures. However, if our security measures or those of the previously mentioned third parties are inadequate or are breached as a result of third-party action, employee error, malfeasance, malware, phishing, hacking attacks, system error, trickery, or otherwise, and, as a result, someone obtains unauthorized access to funds, cryptocurrencies, or sensitive information, including personally identifiable information, on our systems or our partners' systems, or if we suffer a ransomware or advanced persistent threat attack, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged. Any perceived or actual breach of security, regardless of how it occurs or the extent of the breach, could have a significant impact on our reputation as a trusted brand, cause us to lose existing members, prevent us from obtaining new members, require us to expend significant funds to remedy problems caused by breaches and to implement measures to prevent further breaches, cease operations, and expose us to legal risk and potential liability including those resulting from governmental or regulatory investigations, class action litigation and costs associated with remediation, such as fraud monitoring. Any actual or perceived security breach at a company providing services to us or our customers could have similar effects.

Some or all of the bitcoins held in MogoCrypto could be lost or stolen. Access to coins held in MogoCrypto could also be restricted by cybercrime (such as a denial of service attack) against a service used by Mogo in connection with MogoCrypto. Any of these events may adversely affect Mogo's members and business.

In addition, cryptocurrency transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction or, in theory, control or consent of a majority of the processing power on the cryptocurrency network. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of coins or a theft of coins generally will not be reversible and the Company may not be capable of seeking compensation for any such transfer or theft on its own behalf or on behalf of its members. It is possible that, through computer or human error, or through theft or criminal action, any of the Company's or its members' coins could be transferred from the Company or one or more of its members in incorrect amounts or to unauthorized third parties. To the extent that the Company is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the coins through error or theft, the Company will be unable to revert or otherwise recover the incorrectly transferred coins, which could adversely affect the business, prospects or operations of the Company.

Worsening economic conditions may cause our members' loan default rates to increase and harm our operating results.

Uncertainty and negative trends in general economic conditions in Canada and abroad, including significant tightening of credit markets, historically have created a difficult environment for companies operating in our industries. Many factors, including factors that are beyond our control, may have a detrimental impact on our operating performance. These factors include general economic conditions, unemployment levels, energy costs and interest rates, as well as events such as natural disasters, acts of war, terrorism and catastrophes.

Many of our members are millennials. Accordingly, our members may be more likely to be affected or more severely affected than more established individuals by adverse economic conditions. These conditions may result in higher default rates on loans by our existing members.

There can be no assurance that economic conditions will remain favorable for our business or that default rates on our loans by our members will remain at current levels. Increased default rates by our members on our loans may inhibit our access to capital and negatively impact our profitability. If delinquency or uncollectable rates on our consumer loans exceed certain levels defined in our credit facilities it could constitute a default under our credit facilities or other credit facilities, reducing or terminating such facilities. Furthermore, we receive a number of applications from potential members who do not satisfy the requirements for our loans. If an insufficient number of qualified individuals apply for our loans, our growth and revenue could decline.

Our business may be adversely affected by material changes to the interest rate charged to our members and paid to our lenders.

We earn a substantial portion of our revenues from interest payments on the loans we make to our members. Various financial institutions and other funding sources provide, and may in the future provide, us with the capital to fund these term loans and lines of credit and charge us interest on funds that we draw down. In the event that the spread between the rate at which we lend to our members and the rate at which we borrow from our lenders decreases, our financial results and operating performance will be harmed.

There are a variety of factors that could affect the interest rates we charge to our members and which we pay to our lenders, such as access to capital based on our business performance, the volume of loans we make to our members, competition with other lenders and regulatory requirements. These interest rates may also be affected by variations to the types of products we sell to our members and investors over time and a shift among our channels of member acquisition. Interest rate changes may adversely affect our business forecasts and expectations and are highly sensitive to many macroeconomic factors beyond our control, such as inflation, recession, the state of the credit markets, changes in market interest rates, global economic disruptions, unemployment and the fiscal and monetary policies of the federal government and its agencies. Any material reduction in our interest rate spread could have a material adverse effect on our business, results of operations and financial condition.

Our debt financing sources are highly concentrated, and we may not be able to access additional sources of funding on reasonable terms or at all.

We have obtained debt financing from a limited number of lenders. We currently depend on our credit facilities and other forms of debt in order to finance most of the loans we make to our members. Our reliance on the credit facilities for a significant amount of our funding exposes us to funding concentration risks. If the lender decides to terminate the credit facilities, our business, operating results, financial condition and prospects could be adversely affected. In addition, our debt facilities must be renewed on a periodic basis. If we were unable to renew these facilities on acceptable terms when they became due there could be a material adverse effect on our financial condition, liquidity and results of operations.

Our agreements with our lenders contain a number of early payment triggers and covenants. A breach of such triggers or covenants or other terms of such agreements could result in an early amortization, default, and/or acceleration of the related funding facilities which could materially impact our operations.

Primary funding sources available to support the maintenance and growth of our business include, among others, our credit facilities. These facilities contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares, and engage in alternate business activities. The facilities also contain a number of covenants that require the Company to maintain certain specified financial ratios. Description of these covenants, requirements and events are set out in the credit facility agreements.

During the occurrence of an event of default under our credit facilities, for example, principal collections from our consumer loans would be applied to repay principal under the credit facilities rather than being available on a revolving basis to fund newly originated loans. During the occurrence of an event of default under any of our debt, including debt owing under our credit facilities, debt owing to the holders of debentures issued by the Company or debt owing to future facilities we may enter into, the applicable lender could accelerate the repayment of our debt and the lender's commitments to extend further credit would terminate. If we were unable to repay the amounts due and payable under our debt when due, the applicable lender could seek remedies, including against the collateral pledged as security for such debt. A default under one credit facility could also lead to default under other facilities due to cross-acceleration or cross-default provisions.

An event of default or other event requiring early repayment of our credit facilities would negatively impact our liquidity, including our ability to originate new loans, and require us to rely on alternative funding sources, which might increase our funding costs or which might not be available when needed. If we were unable to arrange new or alternative methods of financing on favorable terms, we might have to curtail the origination of loans, which could have a material adverse effect on our business, financial condition, operating results and cash flow, which in turn could have a material adverse effect on our ability to meet our obligations under our facilities.

The development, acceptance and widespread use of cryptocurrency is subject to a variety of factors that are difficult to evaluate.

The use of cryptocurrencies to, among other things, buy and sell goods and services and complete transactions, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of cryptocurrencies in particular, is subject to a high degree of uncertainty, and the slowing or stopping of the development or acceptance of developing protocols may occur and is unpredictable. The factors include, but are not limited to:

- Continued worldwide growth in the adoption and use of cryptocurrencies;

- Governmental and quasi-governmental regulation of cryptocurrencies and their use, or restrictions on or regulation of access to and operation of the Bitcoin network or similar cryptocurrency systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the Bitcoin network or similar cryptocurrency systems;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of bitcoin specifically and cryptocurrencies generally.

Such events could have a material adverse effect on the ability of the Company to successfully maintain the MogoCrypto account or to pursue other opportunities in the cryptocurrency space, which could have an adverse effect on the business, prospects or operations of the Company.

In addition, currently, there is relatively small use of cryptocurrencies in the retail and commercial marketplace for goods or services. In comparison, there is relatively large use by speculators contributing to price volatility. The relative lack of acceptance of cryptocurrencies in the retail and commercial marketplace limits the ability of end-users to use them to pay for goods and services. Such lack of acceptance or decline in acceptances could affect the long-term value of the cryptocurrencies which would have a material adverse effect on the ability of the Company to pursue opportunities in the cryptocurrency space, which could have an adverse effect on the business, prospects or operations of the Company.

Banks, financial institutions and insurance providers may not provide banking and/or insurance services, or may cut off such services, to businesses that provide cryptocurrency-related services.

A number of companies that provide cryptocurrency-related services have been unable to find banks or financial institutions that are willing to provide them with bank accounts and other services. Similarly, a number of companies and individuals or businesses associated with cryptocurrencies may have had and may continue to have their existing bank accounts closed or services discontinued with financial institutions. We also may be unable to obtain or maintain these services for our business. While the Company has insured its operations, given the novelty of the cryptocurrency space, such insurance may not be available, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance coverage. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company.

The price of our publicly traded securities could be subject to wide price swings since the value of cryptocurrencies may be subject to pricing risk and have historically been subject to wide swings in value.

In light of the launch of the MogoCrypto account and any other blockchain initiatives the Company may pursue, or continue to pursue, the market price of our publicly traded securities may be subject to arbitrary pricing factors that are not necessarily associated with traditional factors that influence stock prices or the value of non-cryptocurrency assets such as revenue, cash flows, profitability, growth prospects or business activity levels since the value and price, as determined by the investing public, may be influenced by future anticipated adoption or appreciation in value of cryptocurrencies or the blockchain generally, factors over which the Company has little or no influence or control.

Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets and derivative platforms. Furthermore, such prices may be subject to factors such as those that impact commodities, more so than business activities, which could be subjected to additional influence from fraudulent or illegitimate actors, real or perceived scarcity, and political, economic, regulatory or other conditions. Pricing may be the result of, and may continue to result in, speculation regarding future appreciation in the value of cryptocurrencies, or the Company or its share price, inflating and making their market prices more volatile or creating “bubble” type risks.

As a result, the value of our publicly traded securities, and the value of cryptocurrencies generally may be more likely to fluctuate due to changing investor confidence in future appreciation (or depreciation) in market prices, profits from related or unrelated investments or holdings of cryptocurrency. Such factors or events could have a material adverse effect on the ability of the Company to pursue opportunities in the cryptocurrency space, which could have an adverse effect on the business, prospects or operations of the Company, and could potentially affect the value of any cryptocurrencies the Company may acquire for its own account.

The collection, processing, storage, use, and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy rights.

We receive, transmit and store a large volume of personally identifiable information and other sensitive data from members. There are federal, provincial and foreign laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and sensitive data. Specifically, personally identifiable information is increasingly subject to legislation and regulations to protect the privacy of personal information that is collected, processed and transmitted. Any violations of these laws and regulations may require us to change our business practices or operational structure, address legal claims and sustain monetary penalties and/or other harms to our business.

While we have policies and procedures in place to protect personally identifiable information and other sensitive data of our members that comply with applicable laws, the regulatory framework for privacy issues in Canada is constantly evolving and is likely to remain uncertain for the foreseeable future. The interpretation and application of such laws is often uncertain, and such laws may be interpreted and applied in a manner inconsistent with our current policies and practices or require changes to the features of our platform. If either we or our third-party service providers are unable to address any privacy concerns, even if unfounded, or to comply with applicable laws and regulations, it could result in additional costs and liability, damage our reputation and harm our business.

It may be difficult and costly to protect our intellectual property rights, and we may not be able to ensure their protection.

The success of our platform depends, in part, upon our intellectual property. We primarily rely on copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, suppliers and other third parties to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. We currently do not have any issued patents.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights.

Our failure to secure, protect and enforce our intellectual property rights could seriously harm our brand and adversely affect our business.

We may face claims by third parties for alleged infringement of their intellectual property rights, which could harm our business.

Our competitors, as well as a number of other entities and individuals, may claim that we infringe their intellectual property rights. Claims of infringement are becoming increasingly common as the software industry develops and third parties may assert infringement claims against us in the future. Although we have developed most of our platform, we do include third-party software in our platform. In these cases, this software is licensed from the entity holding the intellectual property rights. Although we believe that we have secured proper licenses for all third-party software that is integrated into our platform, third parties may assert infringement claims against us in the future. Any such assertion may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to our ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of our defense against those claims or our attempt to license the intellectual property rights or rework our platform to ensure it complies with judicial decisions. Even if we were to prevail, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations. Any of the foregoing could have a significant adverse effect on our business and operating results as well as our ability to generate future revenue.

Some aspects of our platform include open source software, and any failure to comply with the terms of one or more of these open source licenses could negatively affect our business.

We incorporate open source software into our proprietary platform and into other processes supporting our business. Such open source software may include software covered by licenses like the GNU General Public License and the Apache License. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that limits our use of the software, inhibits certain aspects of the platform and negatively affects our business operations. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If portions of our proprietary platform are determined to be subject to an open source license, or if the license terms for the open source software that we incorporate change, we could be required to publicly release the affected portions of our source code, re-engineer all or a portion of our platform or change our business activities. In addition to risks related to license requirements, the use of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated, and could adversely affect our business.

If our software contains serious errors or defects, we may lose revenue and market acceptance.

Software developed for our proprietary platform often contains errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Since the software we use is a critical component to our proprietary platform, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in inappropriate loan decisioning and corresponding credit scores and/or interest rates.

Our allowance for loan losses is determined based upon both objective and subjective factors and may not be adequate to absorb loan losses.

We face the risk that our members will fail to repay their loans in full. We reserve for such losses by establishing an allowance for loan losses, the increase of which results in a charge to our earnings as a provision for loan losses. We have established an evaluation process designed to determine the adequacy of our allowance for loan losses. While this evaluation process uses historical and other objective information, the classification of loans and the forecasts and establishment of loan losses are also dependent on our subjective assessment based upon our experience and judgment. Actual losses are difficult to forecast, especially if such losses stem from factors beyond our historical experience, and unlike traditional banks, we are not subject to periodic review by bank regulatory agencies of our allowance for loan losses. As a result, there can be no assurance that our allowance for loan losses will be comparable to that of traditional banks subject to regulatory oversight or sufficient to absorb losses or prevent a material adverse effect on our business, financial condition and results of operations.

We rely on our proprietary credit scoring model in the forecasting of loss rates. If we are unable to effectively forecast loss rates, it may negatively impact our operating results.

In deciding whether to extend credit to prospective members, we rely heavily on our credit score generated by our proprietary credit scoring model and decisioning system, an empirically derived suite of statistical models built using third-party data, data from our members and our credit experience gained through monitoring the performance of our members over time. If our proprietary credit scoring model and decisioning system fails to adequately predict the creditworthiness of our members, or if our proprietary cash flow analytics system fails to assess prospective members' financial ability to repay their loans, or if any portion of the information pertaining to the prospective member is false, inaccurate or incomplete, and our systems did not detect such falsities, inaccuracies or incompleteness, or any or all of the other components of the credit decision process described herein fails, we may experience higher than forecasted losses. Furthermore, if we are unable to access the third-party data used in our credit scores, our access to such data is limited or such information is outdated or incorrect, our ability to accurately evaluate potential members will be compromised, and we may be unable to effectively predict probable credit losses inherent in our loan portfolio, which would negatively impact our results of operations.

We rely on data from third parties for the successful operation of our platform.

Our ability to review and select qualified members depends on credit, identification, employment and other relevant information that we receive from third parties, including credit bureaus. If this information becomes unavailable or becomes more expensive to access, it could increase our costs as we seek alternative sources of information. If this third-party data is incorrect, our ability to identify qualified members or approve and price products may suffer and our business may be harmed.

Our risk management efforts may not be effective.

We could incur substantial losses and our business operations could be disrupted if we are unable to effectively identify, manage, monitor and mitigate financial risks, such as credit risk, interest rate risk, liquidity risk, and other market-related risk, as well as operational risks related to our business, assets and liabilities. To the extent our models used to assess the creditworthiness of potential members do not adequately identify potential risks, the credit scores we produce would not adequately represent the risk profile of such members and could result in higher risk than anticipated. Our risk management policies, procedures, and techniques, including our use of our proprietary credit scoring technology, may not be sufficient to identify all of the risks we are exposed to, mitigate the risks that we have identified or identify concentrations of risk or additional risks to which we may become subject in the future.

Operating risk and insurance coverage.

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Our levels of indebtedness can have negative implications for our shareholders.

We have, and anticipate having, a significant amount of indebtedness. Our ability to make payments of principal and interest on our funding debt will depend on our future operating performance and our ability to enter into additional debt and equity financings, which to a certain extent, is subject to economic, financial, competitive and other factors beyond our control. If, in the future, we are unable to generate sufficient cash flow to service our debt, we may be required to refinance all or a portion of our existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on terms acceptable to us. The inability to obtain additional financing could have a material adverse effect on our operating performance and any additional equity financing would result in the dilution of shareholders.

Our substantial indebtedness could have significant consequences to shareholders, such as the inability to satisfy our obligations under our credit facilities and increased vulnerability to adverse general economic and industry conditions. We may find it more difficult to fund future working capital, capital expenditures, general corporate purposes or other purposes and we would have to allocate a substantial portion of our cash resources to the payment on our indebtedness, which would reduce the funds available for operations and for distribution to shareholders.

Our success and future growth depend in part on our successful marketing efforts and increased brand awareness. Failure to effectively use our brand to convert sales may negatively affect our growth and our financial performance.

We believe that an important component of our growth will be continued market penetration through our digital marketing channel and leveraging our marketing collaboration agreement with Postmedia Network Inc. ("Postmedia"), during the five-year term of the agreement. To achieve this growth, we anticipate relying heavily on marketing and advertising to increase the visibility of the Mogo brand with potential members. The goal of this marketing and advertising is to increase the strength, recognition and trust in the Mogo brand, and drive more unique visitors to open MogoAccounts and access Mogo products. The agreement with Postmedia can be terminated if the Company's revenues do not reach certain specified thresholds or if Postmedia's media reach drops below specified thresholds. We incurred expenses of \$9.4 million on sales and marketing in the year ended December 31, 2019.

Our business model relies on our ability to scale rapidly and to decrease incremental member acquisition costs as we grow. If we are unable to recover our marketing costs through increases in website traffic and in our conversion rates, or if we discontinue our broad marketing campaigns, it could have a material adverse effect on our growth, results of operations and financial condition.

Member complaints or negative publicity could result in a decline in our member growth and our business could suffer.

Our reputation is very important to attracting new members to our platform as well as securing repeat lending and mortgage refinancing to existing members. While we believe that we have a good reputation and that we provide our members with a superior experience, there can be no assurance that we will continue to maintain a good relationship with our members or avoid negative publicity. Any damage to our reputation, whether arising from our conduct of business, negative publicity, regulatory, supervisory or enforcement actions, matters affecting our financial reporting or compliance with securities regulatory authorities and TSX and NASDAQ requirements, security breaches or otherwise could have a material adverse effect on our business.

Any misconduct and/or errors by our employees and third-party service providers could harm our business and reputation.

We are exposed to many types of operational risk, including the risk of misconduct and errors by our employees and third-party service providers. Our business depends on our employees and third-party service providers to process a large number of increasingly complex transactions, including transactions that involve significant dollar amounts and loan transactions that involve the use and disclosure of personal and business information. We could be materially adversely affected if transactions are redirected, misappropriated or otherwise improperly executed, if personal and business information is disclosed to unintended recipients or if an operational breakdown or failure in the processing of other transactions occurs, whether as a result of human error, a purposeful sabotage or by means of a fraudulent manipulation of our operations or systems. In addition, the manner in which we store and use certain personal information and interact with members is governed by various federal and provincial laws. If any of our employees or third-party service providers take, convert or misuse funds, documents or data or fail to follow our protocol when interacting with members, we could be liable for damages and subject to regulatory actions and penalties. As a result, we could also be perceived to have facilitated or participated in illegal misappropriation of funds, documents or data, or failed to have followed protocol, and therefore be subject to civil or criminal liability. It is not always possible to identify and deter misconduct or errors by employees or third-party service providers, and the precautions we take to detect and prevent such activities may not be effective in controlling unknown or unmanaged risks or losses. Any of these occurrences could result in our diminished ability to operate our business, potential liability to our members, inability to attract future members, reputational damage, regulatory intervention and financial harm, which could negatively impact our business, financial condition and results of operations.

Our business depends on our ability to collect payments and service the products we make available to our members.

We rely on banks and services providers to facilitate funds transfers within our MogoAccount, including among other things, the disbursement of proceeds of newly originated loans to our members, the collection of payments from members, and the processing of funding and withdrawal requests to and from members' MogoCards and MogoCrypto accounts. As we are not a bank, we do not have the ability to directly access the electronic funds transfer payment network, and must therefore rely on a service provider to process our transactions. If we cannot continue to obtain such services from our current institution, service provider or elsewhere, or if we cannot transition to another processor quickly, our ability to process transactions will suffer.

We rely on third-party partners and service providers to deliver our products and services. Any disruption of service by such third parties could interrupt or delay our ability to deliver our products and service to our members.

We rely on third-party partners and service providers to deliver our products and services, including with respect to the provision of such products and services, account verification, credit decisioning, transaction processing. We also serve our members from third-party cloud-based and traditional data center facilities. The continuous availability of our service depends on the continued operations of these third-party partners, service providers and facilities. In addition, we depend on the ability of our third-party partners and service providers to protect their operations and facilities against damage or interruption from security breaches, natural disasters, power or telecommunications failures, criminal acts and similar events. If there are any lapses of service or damage to the facilities, we could experience lengthy interruptions in our service as well as delays and additional expenses in arranging new facilities and services. Even with current and planned disaster recovery arrangements, our business could be harmed.

We designed our system infrastructure and procure and own or lease the computer hardware used for our services. Design and mechanical errors, failure to follow operations protocols and procedures could cause our systems to fail, resulting in interruptions in our platform. Any such interruptions or delays, whether as a result of third-party error, our own error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with members and cause our revenue to decrease and/or our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue and subject us to liability, which could materially adversely affect our business.

We face increasing competition and, if we do not compete effectively, our operating results could be harmed.

We compete with other companies that provide financial services to individuals. These traditional financial institutions include banks, credit unions, credit card issuers and other consumer finance companies. In addition, other technology companies may begin to focus, or may in the future focus, their efforts on targeting millennials.

In some cases, some competitors may offer a broader range of financial products to our members, and some competitors may offer a specialized set of specific products or services. Many of these competitors have significantly more resources and greater brand recognition than we do and may be able to attract customers more effectively than we do.

When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market, which could adversely affect our market share or ability to exploit new market opportunities. Our pricing and credit terms could deteriorate if we act to meet these competitive challenges. All of the foregoing could adversely affect our business, results of operations, financial condition and future growth.

If the information provided by members to us is incorrect or fraudulent, we may misjudge a member's qualification to receive a loan and our operating results may be harmed.

Our lending decisions are based partly on information provided to us by loan applicants. To the extent that these applicants provide information to us in a manner that we are unable to verify, our credit model may not accurately reflect the associated risk. In addition, data provided by third-party sources is a significant component of our credit model, and this data may contain inaccuracies. Inaccurate analysis of credit data that could result from false loan application information could harm our reputation, business and operating results.

We also use identity and fraud check analyzing data provided by external databases to authenticate each member's identity. There is a risk, however, that these checks could fail, and fraud may occur. We may not be able to recoup funds underlying loans made in connection with inaccurate statements, omissions of fact or fraud, in which case our revenue, operating results and profitability will be harmed. Fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negatively impact our operating results, brand and reputation and require us to take steps to reduce fraud risk, which could increase our costs.

We rely on our management team and need additional key personnel to grow our business, and the loss of key employees or inability to hire key personnel could harm our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees, including David Feller, our Chairman and Chief Executive Officer ("CEO"), and Gregory Feller, our President and Chief Financial Officer ("CFO"). Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and despite maintaining a comprehensive succession plan, we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

Competition for our employees is intense, and we may not be able to attract and retain the highly skilled employees whom we need to support our business.

Competition for highly skilled engineering and data analytics personnel is extremely intense, and we continue to face difficulty identifying and hiring qualified personnel in many areas of our business. We may not be able to hire and retain such personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, specifically in high-technology industries, often consider the value of any equity they may receive in connection with their employment. Any significant volatility in the price of our common shares may adversely affect our ability to attract or retain highly skilled technical, financial and marketing personnel.

In addition, we invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our members could diminish, resulting in a material adverse effect on our business.

If we cannot maintain our corporate culture, we could lose valuable qualities from our workforce.

We believe that our corporate culture is a critical component of our success, which we believe fosters innovation, encourages teamwork and cultivates creativity. As we develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture. Failure to preserve our corporate culture could negatively impact our future success, including our ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

Litigation may adversely affect our business and financial condition.

Our business is subject to the risk of litigation by employees, members, consumers, suppliers, competitors, shareholders, government agencies, or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action lawsuits, regulatory actions and intellectual property claims, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to these lawsuits may remain unknown for substantial periods of time. In addition, certain of these lawsuits, if decided adversely to us or settled by us, may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend future litigation may be significant. There also may be adverse publicity associated with litigation that could negatively affect consumer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business and financial condition.

United States investors may not be able to obtain enforcement of civil liabilities against the Company.

The enforcement by investors of civil liabilities under the United States federal or state securities laws may be affected adversely by the fact that the Company is governed by the *Business Corporations Act* of British Columbia (“BCBCA”), that the majority of the Company’s officers and directors are residents of Canada, and that all, or a substantial portion of their assets and a portion of the Company’s assets, are located outside the United States. It may not be possible for investors to effect service of process within the United States on certain of its directors and officers or enforce judgments obtained in the United States courts against the Company or certain of the Company’s directors and officers based upon the civil liability provisions of United States federal securities laws or the securities laws of any state of the United States.

As a passive foreign investment company (“PFIC”) for United States federal income tax purposes, certain adverse tax rules may apply to U.S. Holders of our common shares.

Based on estimates of the composition of our income and the value of our assets, we believe that we are a PFIC for United States federal income tax purposes for the 2018 taxable year and that we are likely to be a PFIC for the 2019 taxable year.

We will be classified as a PFIC for any taxable year for United States federal income tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets by value in that taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%.

PFIC status is determined annually and depends upon the composition of a company’s income and assets and the market value of its stock from time to time. Therefore, there can be no assurance as to our PFIC status for future taxable years. The value of our assets will be based, in part, on the then market value of our common shares, which is subject to change.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined under “United States Federal Income Tax Considerations”) holds common shares, such U.S. Holders could be subject to adverse United States federal income tax consequences whether or not we continue to be a PFIC. For example, U.S. Holders may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements. If we are a PFIC during which a U.S. Holder holds common shares, such U.S. Holder may be able to make a “mark-to-market” election or a “qualified electing fund” election that could mitigate the adverse United States federal income tax consequences that would otherwise apply to such U.S. Holder. Although upon request of a U.S. Holder, we will provide the information necessary for a U.S. Holder to make the qualified election, no assurance can be given that such information will be available for any lower-tier PFIC that we do not control. See “Certain U.S. Federal Income Tax Considerations” for additional information.

ITEM 4: INFORMATION ON THE COMPANY

A. History and Development of the Company

The Company was incorporated by letters patent under the laws of Canada on January 14, 1972 under the name “Eskimo International Resources Limited.” On August 17, 1972, the Company changed its name to “Natalma Mines Limited” by supplementary letters patent. The Company was continued under the CBCA by articles of continuance dated November 19, 1979. On May 4, 1983 the Company’s name was changed to “Tonka Resources Inc.” The Company underwent several name changes between 1988 and 2013. On June 13, 2013, the Company changed its name to “Difference Capital Financial Inc.” As detailed below, in April of 2019 the Company announced the Arrangement, being a business combination with Mogo Finance by way of a statutory plan of arrangement. On June 21, 2019, the Company changed its name to “Mogo Inc.” following the Arrangement. Prior to completing the Arrangement, the Company was continued in British Columbia under the BCBCA.

Mogo Finance was incorporated under the Company Act on August 26, 2003 as 675909 B.C. Ltd. and transitioned under the BCBCA on May 4, 2005. Mogo Finance’s name was changed several times, the last of which occurred on June 1, 2012 when its name was changed from “Hornby Management Inc.” to the current name, “Mogo Finance Technology Inc.” Following the completion of the Arrangement, Mogo Finance became a wholly-owned subsidiary of the Company.

On June 21, 2019, Mogo (referred to in this section prior to the Arrangement as “**Difference**”, and following the Arrangement as the “**Combined Entity**”) and Mogo Finance combined their businesses pursuant to a statutory plan of arrangement under Section 288 of the BCBCA. The Arrangement became effective at 12:01 a.m. (PST) on June 21, 2019 (the “**Effective Time**”).

Under the Arrangement, Mogo Finance was amalgamated with a wholly-owned subsidiary of Difference and each Mogo Finance common share (each a “**Mogo Finance Share**”) outstanding immediately prior to the Arrangement, other than Mogo Finance Shares held by Difference, was exchanged for one common share of the Combined Entity. Prior to the Arrangement, Difference continued from a corporation existing under the *Canada Business Corporations Act* (“CBCA”) to a corporation existing under the BCBCA (the “**Continuance**”). On completion of the Arrangement, former Mogo Finance shareholders owned approximately 80% of the Combined Entity, on a fully diluted basis and, as discussed below, the former directors of Mogo Finance make up a majority of the directors of the Combined Entity and the former officers of Mogo Finance became officers of the Combined Entity. In connection with the Arrangement, all of Mogo Finance’s outstanding convertible securities became exercisable or convertible, as the case may be, for common shares of the Combined Entity in accordance with the provisions thereof.

On June 20, 2019, Difference liquidated its subsidiary, Difference RM Holding Corp. On June 21, 2019, as part of the Arrangement, Mogo Finance acquired the investment portfolio of Difference, and the interests in associates, Gotham Analytics, LLC and WG Limited that formed part of this investment portfolio where each were assigned a nominal value in the purchase price allocation for the Arrangement.

Common shares of the Combined Entity began trading on the TSX under the trading symbol "MOGO" in place of the Difference common shares at the open of trading on June 25, 2019. In addition, the Combined Entity was treated as a successor in interest to Mogo Finance and, as such, the Combined Entity was listed on the NASDAQ under the symbol "MOGO". Mogo Finance Shares were delisted from the TSX on the close of trading on June 24, 2019. Mogo Finance Shares and common shares of Difference traded between June 21st and June 25th were automatically settled for common shares of the Combined Entity.

Following the completion of the Arrangement, the board of directors of the Combined Entity was reconstituted and now consists of David Feller (Chairman and CEO), Gregory Feller (President and CFO), Michael Wekerle, Minhas Mohamed and Kees Van Winters. The Arrangement provided the Combined Entity with immediate access to cash and Difference's portfolio of investments which includes some of the premier private technology companies in Canada, which collectively had an estimated fair market value of approximately \$20.8 million as of December 31, 2019.

Prior to the completion of the Arrangement, Mogo Finance had outstanding certain convertible debentures issued under the Convertible Debenture Indenture dated as of June 6, 2017 (the "**Debenture Indenture**"). These convertible debentures were listed on the TSX under the symbol "MOGO.DB" (the "**Mogo Finance Debentures**"). In connection with the Arrangement, each Mogo Finance Debenture was exchanged for a convertible debenture of the Combined Entity (the "**Convertible Debentures**"), as further set out in the First Supplemental Convertible Debenture Indenture dated June 21, 2019. The Convertible Debentures have equivalent terms as the Mogo Finance Debentures for which they were exchanged and are convertible into common shares of the Combined Entity. The Mogo Finance Debentures were delisted from the TSX on the close of trading on June 24, 2019 and the Convertible Debentures commenced trading under the same symbol, "MOGO.DB," at the open of trading on June 25, 2019.

See "Item 10 –C. Material Contracts" and "–B. Organizational Structure" for additional information on our corporate structure, including a list of our major subsidiaries.

Our principal place of business is located at 2100-401 West Georgia Street, Vancouver, British Columbia V6B 5A1, telephone number (604)-659-4380, and our registered office is located at Suite 1700, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. Our website can be accessed at www.mogo.ca. Our agent for service of process in the United States is C T Corporation System, located at 28 Liberty Street, New York, NY 10005. Copies of our electronic filings can be accessed on the SEC website at www.sec.gov.

We made capital expenditures of \$0.2 million, \$3.8 million, and \$0.4 million in 2019, 2018, and 2017, respectively. Our capital expenditures were primarily for the purchase of computer equipment.

B. Business Overview

Mogo, a Vancouver-based financial technology company, offers a finance app that empowers consumers with simple solutions to help them get in control of their financial wellness. Financial wellness continues to be the #1 source of stress across all demographics and highest among millennials. At Mogo, users can sign up for a free account ("**MogoAccount**") in only three minutes and begin to learn the 4 habits of financial health and get convenient access to products that can help them achieve their financial goals. Mogo currently offers six products including free credit score monitoring, identity fraud protection ("**MogoProtect**"), digital spending account ("**MogoSpend**") with the Mogo Visa* Platinum Prepaid Card ("**MogoCard**"), digital mortgage experience ("**MogoMortgage**"), the MogoCrypto account ("**MogoCrypto**"), the first product within MogoWealth, which enables the buying and selling of bitcoin, and access to smart consumer credit products ("**MogoMoney**").

The Mogo platform has been purpose-built to deliver a best-in-class digital experience, with best-in-class products all through one account. With more than one million members and a marketing partnership with Canada's largest news media company, Mogo continues to execute on its vision of becoming the go-to financial app for the next generation of Canadians. We have invested over \$250 million in our platform and expect to continue to invest heavily in enhancing our existing product offering, and in the development of new products.

The 4 Habits of Financial Health

One of the challenges most Canadians face is simply knowing where to start and what to do when it comes to managing their personal finances. Mogo's goal is to make it easy for consumers to move away from bad money habits and begin adopting the habits that will actually help them achieve their money goals. This includes in-app educational content called "Money Class" that walks the user through the keys to each habit in a simple and engaging way. Getting rich isn't a trick or a hack. It comes down to four simple habits. Mogo's digital solutions are now designed to help members better follow and master these habits. Specifically, we've redesigned the Mogo app around the 4 habits of financial health, which are:

1. **Monitor and protect:** Monitoring and protecting your credit score is critical if you want to achieve your goals. A bad credit score could cost you thousands in increased interest, and identity fraud can prevent you from qualifying for a mortgage. We make it easy to manage this with our free credit score monitoring, as well as MogoProtect for identity fraud protection.

Free Credit Score Monitoring

We believe that knowing your credit score is an important part of managing your financial health. When an individual opens a MogoAccount, they receive their Equifax credit score for free. Unlike a credit score inquiry made through other channels, there is no impact to their credit score when opening a MogoAccount, which is another innovative part of our solution. Members can also receive free monthly credit score updates (again, without impact to their credit score) and ongoing education on what impacts their credit score and how it can be improved.

MogoProtect

With data breaches happening almost daily, most people do not realize they have been compromised until the damage is already done. Fraudsters can use stolen personal information to get a loan or mortgage, open bank accounts and more. MogoProtect is an optional subscription-based product within the MogoAccount that helps individuals protect themselves against identity fraud by monitoring their Equifax credit bureau for inquiries. Subscribing members receive a push notification and email within 24 hours of the inquiry being reported. If a member notices any suspicious inquiries, Mogo will guide them through next steps to help stop fraudsters in their tracks.

2. **Control your spending:** The less you spend, the more money you have to put toward paying down debt and building wealth. Research clearly shows that people who use credit cards tend to overspend. In fact, studies show that with a credit card, consumers will spend up to 100% more than if they were using cash. With MogoSpend, use your own money and get unrivalled spending control.

MogoSpend

MogoSpend with MogoCard is the first product of its kind designed to help Canadians get better control over their spending, while having a positive impact on the environment. MogoSpend is designed to help members monitor and control their spending in a convenient and engaging way through features such as instant transaction alerts with each purchase along with updated real-time balance delivered to members' phones. With the launch of MogoSpend, Canadians have a way to help control and reduce their spending while also offsetting their carbon footprint – for every dollar spent, Mogo will offset one pound of CO2 on the consumer's behalf. The MogoCard is Chip/Pin and Paywave enabled and is linked to a member's bank account through the MogoAccount. Members can transfer funds instantly from most bank accounts in Canada to their MogoCard directly through the Mogo app. Unlike other prepaid cards and most bank accounts, the MogoCard is free and there is no monthly fee and no risk of overdraft fees, and, unlike a regular credit card, using the MogoCard means there is no risk of interest charges. The MogoCard initially included 3% cash back on international currency purchases and 1.5% cash back on Canadian dollar purchases, however, the cash back program will be eliminated effective June 15, 2020. MogoSpend and the MogoCard are currently only available for order by invite through the iOS or Android MogoApp to eligible MogoMembers that have passed identity verification. Other conditions apply.

3. **Borrow responsibly:** Be smart with credit - borrow only when you need to and pay it off quickly to get back to building wealth. With MogoMoney, you get a pre-approval that doesn't impact your credit score and a transparent loan experience that will help you get debt-free faster, so you can get back to saving. Our goal is to offer consumers across the entire credit spectrum access to loans at the best rate possible based on their credit profile, which will increasingly be powered by our new partner lending program.

MogoMoney

If you need to borrow, do it responsibly. We've designed MogoMoney in a way that provides a commitment-free, instant pre-approval decision, which can be refreshed every 90 days. The pre-approval decision is determined based upon our proprietary credit decisioning models. We leverage technology and data to simplify the user experience, and for some users that means a 100% automated loan experience. No dealing with documents or people, you sign up and get your pre-approval, customize your loan to fit your needs and digitally sign loan agreements. The money can be received within 30 minutes.

Our focus is on bringing the most relevant loan offers to our members and to do that we leverage our partner lending solution where we use Mogo's lending technology to originate loans powered by our lending partners. Through Mogo and its partners, we offer long-term unsecured installment loans for up to \$15,000 with terms of up to 5 years and annual interest rates ranging up to 45.9%. Unlike a credit card that can take decades to pay off, these installment loans have fixed principal bi-weekly or monthly payments designed to achieve full principal repayment within 5 years or less. We also offer an unsecured open credit loan product for up to \$3,500 at an annual interest rate of 47.42%. On Mogo loans, where permitted by law, we offer a unique Level Up Program which gives members an opportunity to lower their rates through good payment history.

MogoMortgage

Working with some of Canada's top mortgage lenders, Mogo is bringing a new level of transparency and convenience to the Canadian mortgage experience, and offers the best of both worlds: market-leading rates and the best digital mortgage experience in Canada. In 2017, Mogo won the Canadian Mortgage Award for Best Use of Mobile Technology. Our MogoMortgage solution is intended to simplify the mortgage experience with transparency around not only interest rates, but also the entire process of getting a mortgage. Members can apply anywhere with our quick and stress-free online mortgage application. Members enjoy low rates, ongoing guidance from our MogoMortgage team, and the ability to keep track of their mortgage with our digital dashboard after the mortgage funds. The Company is not a lender and therefore does not carry the mortgages on its balance sheet. Mogo earns revenue from brokerage fees.

4. **Save and invest wisely:** Sixty-eight percent of Canadians say they won't have enough savings to last through retirement. With the right strategy, investing even small amounts can help you build millions. Through MogoWealth, we plan to give our members the ability to save and invest wisely in a range of best-in-class digital investment products offered through strategic partnerships with leading asset managers. MogoCrypto is the first product within MogoWealth.

MogoCrypto

The MogoCrypto account, accessible through the free MogoAccount, offers a simple and trusted way for Canadians to add bitcoin to their financial holdings instantly from their mobile devices. Members are quoted a single price for bitcoin and are offered multiple payment options to make real-time purchases of bitcoin. Members can access the value of their holdings in real-time and receive push notifications of significant price changes. Members can sell at any time and withdraw funds into a Canadian bank account within a few days. We do not charge any funding or withdrawing fees. Unlike many other cryptocurrency platforms, we are transparent about our flat 1% buying and selling fee.

We do not currently intend to operate a cryptocurrency exchange in connection with MogoCrypto. Mogo does not currently intend to participate in offerings of coins, tokens or other cryptocurrencies. Notwithstanding our current intentions, Mogo continually examines opportunities in the fast-moving area of blockchain and cryptocurrencies; any future activity will be undertaken in full compliance with securities and other applicable laws and regulations.

General Development of the Business

Over the past few years, Mogo transitioned from an online lender into a financial technology company offering an app that empowers consumers with simple solutions to help them get in control of their financial wellness. We have been focused on the three key elements of our strategy - platform, products and brand, to drive significant and sustainable growth and expand our product offering.

Three Year History

In 2019, Mogo:

- Amended the Credit Facility – Other (as defined below). The amendments lower the effective interest rate from a maximum of LIBOR plus 12.5%, with a LIBOR floor of 2% to LIBOR plus 9%, with a LIBOR floor of 1.5%, effective July 2, 2020. In addition, the amendment increases the available loan capital from \$50 million to \$60 million and extends the maturity date of the facility by two years from July 2, 2020 to July 2, 2022.
- Launched our newly redesigned mobile app that makes it easier than ever for Canadians to get in control of their financial health. Financial stress continues to be the number one stressor for Canadians and is even more pronounced among millennials, with surveys showing that 76% cite it as their top source of stress. Mogo's newly redesigned mobile app helps Canadians master the four habits of financial health and get on top of their finances.

- Surpassed 925,000 members.
- Filed a final short form base shelf prospectus with the securities regulators in each province and territory of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 with the United States Securities and Exchange Commission (“SEC”) under the U.S.-Canada Multijurisdictional Disclosure System (“MJDS”). These filings replace the short-form base shelf prospectus previously filed by Mogo Finance which can no longer be effectively utilized following the completion of Arrangement. These filings enable Mogo to make offerings of common shares and debt securities of up to an aggregate initial offering price of \$100 million at any time during the 25-month period that the filings remains effective.
- Launched “MONEYUP” a new campaign designed to position Mogo at the forefront of financial health and inspire and motivate Canadians to get in control of their financial health.
- Announced a digital lending pilot with goeasy Ltd. (“goeasy”) to provide Canadians with personal loans up to \$15,000 with terms of up to 5 years, all available quickly and conveniently from a mobile device using the Mogo app.
- Named one of Canada’s Top 50 FinTech Companies for 2019 by the Digital Finance Institute. The Digital Finance Institute is a think tank created to address issues concerning financial innovation, digital finance policy and regulation, financial inclusion and women in financial technology.
- Announced a new partnership with League, a leading digital employee health benefits platform, under which Mogo’s identity fraud protection solution, MogoProtect, has been added to the League member marketplace.
- Completed the Arrangement.
- Discontinued bitcoin mining.

In 2018, Mogo:

- Launched our sixth product – MogoCrypto – which enables members to buy and sell bitcoin at real-time prices instantly, anytime and anywhere from their mobile device, bringing a new level of convenience and accessibility to bitcoin ownership for all Canadians. Mogo was the first company in Canada to offer a mobile solution for buying and selling bitcoin that includes free funding transfers and withdrawals.
- Enhanced digital loan platform, resulting in marketing and operational efficiencies.
- Continued evolution toward an artificial intelligence (“AI”) centric platform with AI now used in areas such as underwriting and decisioning.
- Began trading on NASDAQ under the symbol “MOGO”.

- Extended the term of our marketing collaboration agreement with Postmedia, which provided a minimum media value of \$50,000,000 over the first 3 years, for an additional 2 years beyond the end of the current agreement, covering calendar 2019 and 2020.
- Filed a final short form base shelf prospectus with the securities regulators in each province and territory of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 with the SEC under MJDS.
- Expanded into multiple new regions across Canada, complementing our well-established presence in key markets such as Ontario, British Columbia and Alberta. Mogo's suite of products became available in Nova Scotia and our MogoMortgage solution became available to consumers in Manitoba, New Brunswick, Prince Edward Island, and Newfoundland. With these expansions, Mogo's full product suite is now available in eight provinces and accessible to more than twenty million Canadians.
- Increased the borrowing limit under the Credit Facility – Other from \$40 million to \$50 million.
- Discontinued short-term lending.

In 2017, Mogo:

- Commenced trading on the OTCQX® Best Market in the United States under the symbol "MOGOF".
- Announced the launch of the Android version of the MogoApp. This completes Mogo's digital platform accessibility as Canadians can now open a MogoAccount through their desktop, tablet, mobile web or using an iOS or Android app.
- Won the Canadian Mortgage Award for Best Use of Mobile Technology.
- Completed a fully subscribed "best efforts" public offering of 10% senior secured Convertible Debentures in an aggregate principal amount of \$15,000,000. Mackie Research Capital Corporation, Cormark Securities Inc., Canaccord Genuity Inc., Haywood Securities Inc. and M Partners Inc. acted as agents under the Offering. The Convertible Debentures bear interest from June 6, 2017 at 10% per annum, payable semi-annually on May 31 and November 30 of each year, and are listed for trading on the TSX under the symbol "MOGO.DB".
- Expanded the MogoAccount (excluding MogoMortgage) into Manitoba, New Brunswick, Prince Edward Island, and Newfoundland and Labrador.
- Secured a new Credit Facility of up to \$40 million with Fortress Credit Co LLC ("**Fortress**"), replacing a previous Credit Facility with an extended maturity date and more favourable terms for Mogo ("**Credit Facility – Other**").
- Announced the addition of dedicated blockchain capabilities to accelerate our plans to integrate Bitcoin and other cryptocurrencies into Mogo's digital account as well as future new products and features based on blockchain technology.
- Exceeded 500,000 Mogo members – doubling our member base since August 2016. Since 2014, the number of members on Mogo's platform has grown annually at an average rate of 114% fueled by multiple launches of new innovative digital finance products all accessible through our digital account and growing brand awareness.

- Launched MogoProtect, a new digital solution to help consumers protect themselves against identify fraud.
- Closed a bought deal public offering of 3,750,000 common shares at a price of \$7.00 per common share for aggregate gross proceeds to the Company of \$26,250,000. The offering was made by a syndicate of underwriters co-led by Cormark Securities Inc. and Canaccord Genuity Corp., and including BMO Nesbitt Burns Inc., Eight Capital and Mackie Research Capital Corporation.

Product Development

We are a product-focused company that is passionate about developing new and innovative products. Our CEO leads our product team and ensures that all products are aligned with both our brand and our mission to improve the financial health of our members. We value convenience, transparency and simplicity, and create financial products for everyday life that we ourselves would want to use. We constantly monitor member feedback and market trends, and strive to remain a market leader by continuing to optimize our user experience and value proposition. We expect to continue to invest heavily in enhancing our existing product offering, and in the development of new products.

Our Platform

We leverage our integrated platform specifically to meet the financial needs of consumers, with a track record of providing a growing and innovative suite of products that address the full credit spectrum of consumers. All functions are designed and built as small services for ease of use and enhanced system reliability.

Our platform is characterized by four key technology strengths:

- *Ease of Use.* Having a member-centric approach requires providing members with a high degree of usability, facilitated by a positive member experience and self-service. This objective transcends everything we do, beginning with the front-end of Mogo's website, to the member's online interaction with our product and MogoAccount pages. We look to promote self-service through a secure portal called the MogoAccount. The Mogo member relationship management environment, which is integrated within the MogoAccount, provides automated personalized communication via online chat, emails, text messages and phone calls. This includes upselling and cross-selling options as well as product status information in a streamlined and easy-to-use manner.
- *Automation.* Ensuring a quick and appropriate decisioning process, 24/7, requires streamlining the process to avoid steps that are unnecessarily burdensome to the member. We view automation as an important element of this, whether it is during the application process, which includes verification of employment, bank or phone data, as well as during all monetary transactions, including loan funding and member payment processes. Our online interactions with our members are enabled via website rendering on both desktop and mobile.
- *Analytics-Based.* A key pillar of our platform is the integration of analytics into the transaction flow. By doing so, we believe we are able to derive unique insights into our operations and member experience. Our data gathering processes combine both batch style data warehousing technology, and real-time actionable intelligence. This enables real-time credit, upsell and cross-selling opportunities, as well as a personalized experience and data products. We believe that our data-driven model facilitates and maximizes the sourcing of prospects, significantly increases product application completions, yields a higher conversion rate and enables higher member retention and collections performance.

- Plug-&Play Functionality.** We use standardized transaction interfaces to third-party vendor technologies instead of customized integrations or offline/batch data synchronization. By designing our platform architecture this way, we have the ability to rapidly evolve and expand our platform using the most advanced capabilities available in the market without significant investment. By way of example, our MogoCrypto offering, mortgage brokerage, card ecosystem, fraud monitoring and credit risk functions all operate through plug-&-play interfaces to our enterprise vendors. Selection of these vendors is driven by their functional scope and the value we are able to derive via our platform. We frequently review the capabilities and value of other or emerging technologies, and are able to quickly replace or integrate existing or new providers into the platform as a result of this flexible structure.

Our platform is integrated into all aspects of our business. The data that we generate through our various processes is monitored and allows us to continually refine and improve our business. This data plays a key role in our credit quality and marketing functions. Since we are able to correlate the performance of our products against these and other metrics, we are able to continuously improve the quality of our credit decisioning. Through the use of analytics, the data we collect also provides valuable marketing insight.

We maintain our platform with over 97 full-time technology and credit risk analysis employees (credit risk, product, design, development, business intelligence, information technology and digital analytics) as of December 31, 2019.

Principal Markets

Mogo competes in the financial services industry in Canada. In particular, we currently operate in all provinces and territories of Canada except Saskatchewan and Quebec.

The following table details the breakdown of revenue by category of activity in the Canadian geographic market for the years ended December 31:

(\$000s)

	Years ended December 31		
	2019	2018	2017
Subscription and services revenue	\$ 25,311	\$ 21,550	\$ 9,455
Interest revenue	34,494	26,889	18,571
Loan fees	-	8,111	17,522
Total revenue	59,805	56,550	45,548

Marketing

Our marketing strategy aims to build the best digital financial brand in Canada, with innovative products designed to educate our members on how our products can help them improve their financial health and motivate them to stay in control of their finances. Mogo's brand and marketing strategy leverages compelling and creative content to inform Canadians of the shift to digital banking in Canada in a fun and engaging way. Mogo targets people with a millennial mindset who, until now, have had to rely on traditional banks for all of their financial services.

We use an integrated marketing approach to create a consistent, seamless, multi-dimensional brand experience for our members. Our multi-touchpoint marketing strategy melds all marketing tactics such as advertising, sales promotions, content creation, public relations, direct marketing, and social media.

The main pillars of our integrated marketing approach are as follows:

- *Mogo.ca.* We view our marketing site as our biggest opportunity to convert leads into Mogo members. Constant focus on upgrades and optimizations are prioritized.
- *Brand Building Mass Marketing.* Through our partnership with Postmedia, we leverage Postmedia's extensive distribution and reach, which currently includes 76% of English-speaking Canadian adults across all of its platforms, to feature our brand and disruptive value proposition. This increases awareness and interest in the Mogo brand and Mogo products.
- *Performance Marketing Channels.* We effectively leverage performance marketing channels to reach people who have displayed an intent to purchase with highly optimized, data driven targeted ad campaigns.
- *Public Relations.* Our PR strategy is focused on building awareness of Mogo and our products and increasing brand awareness with the general public, Mogo members and existing and potential investors.
- *Social Media.* We curate content tailored to the nuances and unique audiences of major social platforms, delivering messages about financial products and services, but also extending to topics of interest. With this tactic, we achieve increased brand recognition and improved brand loyalty, higher conversion rates, higher brand authority, increased inbound traffic, reduced marketing costs, better search engine ranking, and improved member insights.
- *Content Marketing.* We leverage content as a part of our overall marketing strategy, including featuring it in Postmedia, our blog, in app and through email.
- *Email Marketing.* We use this channel to nurture prospects with the goal of boosting conversion and maintaining effective communication with our members. Email also helps drive loyalty and retention as we often deploy reactivation and Level Up campaigns.
- *Partnerships.* We maintain ongoing relationships with cost-effective prospecting partners and build marketing partnerships with brands that target similar audiences or provide products and services that apply to Mogo's target audience.

Intellectual Property

In accordance with industry practice, we protect our proprietary rights through a combination of copyright, trademark, trade secret laws and contractual provisions. The source code for our software is protected under Canadian and applicable international copyright laws. We currently have no issued patents or pending patent applications.

We also seek to avoid disclosure of our intellectual property and proprietary information by requiring employees and consultants to execute non-disclosure and assignment of intellectual property agreements. Such agreements require our employees and consultants to assign to us all intellectual property developed in the course of their employment or engagement. We also utilize non-disclosure agreements to govern interaction with business partners and prospective business partners and other relationships where disclosure of proprietary information may be necessary.

Our software includes software components licensed from third parties, including open source software. We believe that we follow industry best practices for using open source software and that replacements for third-party licensed software are available either as open source software or on commercially reasonable terms.

We have registrations for various trademarks in Canada, including “Mogo”, the Mogo logo, “Breaking Debt”, “Level Up”, “Uncreditcard Your Life”, “Finances With Benefits”, “MogoMortgage”, and “Rule Your Finances”, “Mogo Financial”, and “MogoMoney”, and we have pending applications for others including “MogoCrypto” “MogoSpend”, “MogoWealth”, “MogoProtect” and the M Logo. We have a trademark registration in the United States for “Mogo”. We have registered and maintain the registration of a variety of domain names that include “Mogo” or variations of “Mogo”.

The enforcement of our intellectual property rights depends on any legal actions against any infringers being successful, but these actions may not be successful or may be prohibitively expensive, even when our rights have been infringed. See “Item 3. Key Information—D. Risk Factors”.

Specialized Skill and Knowledge

As of December 31, 2019, Mogo had 258 team members focused exclusively on building out the best digital financial services experience in Canada. With over ten years of operating experience, we have developed strong competencies across multiple disciplines. In addition to over 97 software developers, designers, data scientists, product managers, and marketers, we have all of the traditional roles of a financial services provider including credit risk, finance, customer experience, operations, governance, legal and compliance. Our entire team contributes to transforming the traditional financial services experience by delivering a digital suite of innovative financial products to our members. Our future success partly depends on our continuing ability to attract, develop, motivate, and retain highly qualified and skilled employees who share Mogo’s passion for innovation through our products, platform and brand.

Competitive Conditions

The financial services market continues to undergo dramatic changes. Our competitors include traditional financial institutions such as banks, credit unions, credit card issuers, other financial technology companies, other consumer finance companies, online lenders, mortgage brokerages, and new market entrants. Given our wide spectrum offering, including our convenient online and digital lending and mortgage platform, our free credit score monitoring, MogoProtect, MogoCrypto, and the MogoSpend we do not believe that we have any competitors that offer our complete solution online. However, we do compete with various financial services companies in each of our main products including large Schedule I banks such as TD Canada Trust, Scotiabank, Royal Bank of Canada, Simplii Financial, Canadian Imperial Bank of Commerce and Bank of Montreal, credit unions such as Meridian Credit Union and Coast Capital Savings Federal Credit Union, and consumer credit companies such as Capital One, Fairstone Financial Inc., goeasy. and Progressa, credit monitoring companies like Credit Karma and Equifax, mortgage brokerages like IntelliMortgage, and cryptocurrency exchanges like Coinsquare. Other financial technology competitors include Credit Karma Inc., PayPal, Stack and Koho.

We believe our innovative online and digital platform and process automation enable us to operate more efficiently, with more competitive rates and higher customer satisfaction than these competitors. We anticipate that new and established internet, technology and financial services companies, some of whom may possess large, existing customer bases, substantial financial resources and established distribution channels, may enter the market in the future. We believe that our strong brand (enhanced via our Postmedia partnership), scale, 15 years of historical data, talented and diverse team, and performance record provide us with significant competitive advantages over current and future competitors.

Government Regulations

Our business is subject to numerous federal, provincial and other local laws, ordinances and regulations in each of the jurisdictions in which we operate, which are subject to change.

Organizational Structure

Mogo has a number of direct and indirect subsidiaries, each of which is wholly-owned by Mogo. The following table sets out our significant subsidiaries, including their place of incorporation and our ownership interest, as of December 31, 2019:

Name of Entity	Place of Incorporation	Ownership Interest
Mogo Finance Technology Inc.	British Columbia	100%
Mogo Financial Inc.	Manitoba	100%
Mogo Mortgage Technology Inc.	British Columbia	100%
Mogo Blockchain Technology Inc.	British Columbia	100%
Mogo Wealth Technology Inc.	British Columbia	100%

Reorganization

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares of the Company. As at December 31, 2019, there were 27,557,763 common shares and no preferred shares issued and outstanding.

Each common share entitles its holder to notice of and to one vote at all meetings of the Company's shareholders. Each common share is also entitled to receive dividends if, as and when declared by the Board. Holders of common shares are entitled to participate in any distribution of the Company's net assets upon liquidation, dissolution or winding-up of the Company on an equal basis per share.

Legal Proceedings

We are from time to time involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved, or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

Regulatory Actions

Neither the Company nor its subsidiaries are involved in any regulatory action which would have a material adverse effect on the Company.

Transfer Agents and Registrars

The transfer agent and registrar for the common shares is Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia.

Experts

The Consolidated Financial Statements were audited by KPMG LLP and MNP LLP, each an independent registered public accounting firm. Specifically, KPMG LLP audited the Consolidated Financial Statements for the year ended December 31, 2019 while MNP LLP audited the Consolidated Financial Statements for the years ended December 31, 2018 and 2017, as stated in their respective reports appearing herein, and have been so included in reliance upon the report of each such firm given upon their authority as experts in accounting and auditing.

To the Company's knowledge, KPMG LLP held less than 1% and MNP held none of the outstanding securities of the Company or of any associate or affiliate of the Company at the time that the Consolidated Financial Statements were prepared. Neither KPMG LLP or MNP LLP received and will not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such statements. Based on information provided by the relevant persons, neither KPMG LLP or MNP LLP, nor any of their respective directors, officers or employees, are currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

C. Property, Plants and Equipment

The following table summarizes our principal leased properties as of December 31, 2019. The Company does not own any real property. These sites are used for product development, customer service, collections and other related support services including finance, human resources, legal and compliance, investor relations, marketing and branding, and business intelligence and analytics.

	Square Footage	Lease Expiration Date
Vancouver, BC, Canada	13,193 sq. ft.	July 2027
Surrey, BC, Canada	4170 sq. ft.	September 2023
Winnipeg, MB, Canada	10,026 sq. ft.	July 2025
Toronto, ON, Canada	1,200 sq. ft.	September 2025

We consider each of the properties in the table above to be adequate for its purpose and suitably utilized according to the individual nature and requirements of the relevant operations. We currently expect to be able to extend the terms of expiring leases or to find replacement sites on commercially acceptable terms. We do not anticipate any environmental issues that may affect the Company's utilization of the assets. There are no plans to expand or improve the facilities described above.

Our material tangible property and equipment are described in note 9 to the Consolidated Financial Statements in "Item 18. Financial Statements."

ITEM 4A: UNRESOLVED STAFF COMMENTS

None.

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and “Item 4. Information on the Company — B. Business Overview”. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report on Form 20-F.

New Developments

COVID-19 Pandemic

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. Mogo operates a fully digital platform; its services and products are all accessed through its app or online, with no physical branches or consumer-facing offices. As a result, the Company has not experienced any material business interruption to date. While the degree of severity and length of an economic downturn is difficult to predict, Mogo believes that it is well positioned to navigate through this period. However, the overall economic impacts of COVID-19 could include an impact on our ability to obtain debt and equity financing, impairment of investments, loan loss provisions, impairments in the value of our intangible assets and long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations. The Company is working closely with members to support them through this changing environment and in circumstances when necessary, offering more flexible options including extended payment terms, payment deferrals and interest relief. Operationally, the Company has shifted its employees to work remotely, which has been a relatively easy transition given the digital nature of our business. In light of this uncertain economic environment, the Company has taken a thorough review of all its expenses and is implementing a plan to significantly reduce these expenses effective in Q2 2020. This is an evolving situation and we will continue to evaluate and adapt on an ongoing basis.

The following key corporate changes, transactions and material contracts that occurred or were entered into after December 31, 2019 but prior to the date hereof are referred to, and assist in understanding our operating results:

- Achieved a new milestone, surpassing one million members on our digital platform.
- Entered into a three-year lending partnership with goeasy, and completed the sale of the vast majority of our MogoLiquid loan portfolio (the “**MogoLiquid Portfolio**”) to goeasy for gross consideration of \$31.6 million, consistent with Mogo’s strategic plan to reduce its on balance sheet lending and focus on leveraging its proprietary digital lending platform to originate loans for key partners. The partnership allows Mogo to generate additional fee-based subscription & services revenue. Mogo is also eligible for an additional performance-based payment of up to \$1.5 million payable upon achieving certain agreed-upon annual origination amounts under the lending partnership.

- In conjunction with the sale of the MogoLiquid Portfolio, we extinguished the Credit Facility – Liquid, which held an outstanding balance of \$28.7 million. To extinguish the facility in advance of its maturity date, Mogo paid a prepayment penalty of \$2.5 million of which \$1.5 million is payable in cash and \$1 million of which was settled in shares through an issuance of 306,842 common shares.
- Launched MogoSpend, the first product of its kind designed to help Canadians get better control over their spending, while having a positive impact on the environment. MogoSpend comes with the MogoCard, the first and only card in Canada (debit, credit or prepaid) to launch with a carbon offset program so consumers can have a positive impact on the environment simply by using MogoSpend. Through the program, Mogo will offset one pound of CO2 for every dollar spent using the card.
- Partnered with Offsetters, one of Canada's leading providers of sustainability and carbon-management solutions. Offsetters helps organizations and individuals understand, reduce and offset their environmental impacts and specializes in high quality verified offsets.
- Extended the term of our strategic marketing collaboration agreement with Canada's premier news media company, Postmedia, for an additional two years to the end of 2022, while decreasing our quarterly revenue share payments to Postmedia. Mogo also issued additional 5-year warrants to acquire 350,000 common shares of Mogo at an exercise price of \$3.537, which will vest in equal instalments over three years. Mogo also agreed to extend the term of 50% of the warrants previously issued to Postmedia from January 25, 2021 to January 25, 2023.

Results of Operations

The following table sets forth a summary of our results of operations:

(\$000s, except per share amounts)

	Years ended December 31		
	2019	2018	2017
Total revenue	\$ 59,805	\$ 56,550	\$ 45,548
Cost of revenue	18,787	16,934	11,944
Gross profit	41,018	39,616	33,604
Technology and development expenses	14,989	15,028	11,660
Marketing expenses	9,412	8,772	6,854
Customer service and operations expenses	8,787	8,383	7,663
General and administration expenses	11,484	11,661	10,334
Operating expenses	44,672	43,844	36,511
Loss from operations	(3,654)	(4,228)	(2,907)
Credit facility interest expense	11,316	9,353	7,178
Debt and other financing expense	8,471	8,036	7,503
Unrealized foreign exchange loss (gain)	(296)	651	(379)
Change in fair value due to revaluation of derivative liability	570	(1,733)	2,207
Gain on acquisition, net	(13,141)	-	-
Gain on investment portfolio	(294)	-	-
Unrealized gain on investment portfolio	(100)	-	-
Impairment of equipment	-	1,105	-
Other	645	382	313
Net loss after tax	(10,825)	(22,022)	(19,729)
Adjusted EBITDA	7,201	4,154	2,480
Adjusted net loss	(20,909)	(20,297)	(16,245)
Net loss per share (Basic and fully diluted)	(0.42)	(0.97)	(1.07)

Key Income Statement Components**Total revenue**

The following table summarizes total revenue:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Subscription and services revenue	\$ 25,311	\$ 21,550	\$ 9,455
Interest revenue	34,494	26,889	18,571
Loan fees	-	8,111	17,522
Total revenue	59,805	56,550	45,548

Subscription and services revenue – represent MogoProtect subscriptions, MogoCard revenue, MogoMortgage brokerage commissions, premium account revenue, net loan protection premiums, MogoCrypto revenue, partner lending fee, revenue from our bitcoin mining operations and other fees and charges.

Interest revenue - represents interest on our long-term loan products. Our long-term loans fall into two categories: line of credit accounts and installment loans.

Loan fees - represent fees from our legacy short-term loan products, which generally had terms ranging from 14-30 days. These legacy short-term loan products and related loan fees were phased out in the third quarter of 2018.

Total revenue, grew by 6% to \$59.8 million, for the year ended December 31, 2019 compared to the same period in 2018 and grew by 31% compared to the same period in 2017. Total revenue growth in the year was driven by continued strong growth in interest revenue and subscription and services revenue, despite the elimination of loan fees in the third quarter of 2018 and exit from bitcoin mining in the second quarter of 2019.

The increase in subscription and services revenue compared to 2018 is driven by increased uptake of premium account subscription offerings, MogoProtect subscriptions, as well as partner lending revenue. The increase compared to 2017 is mainly due to expansion of the digital platform and launch of new products.

For the year ended December 31, 2019, interest revenue grew by 28% to \$34.5 million from \$26.9 million in 2018 and 86% from \$18.6 million in 2017. These increases were driven by a combination of loan book growth and improvement in loan book yield.

Loan fees were nil in 2019 as the Company phased out its legacy short-term loan products and related loan fees in the third quarter of 2018.

Cost of revenue and gross profit

The following table summarizes the cost of revenue and gross profit:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Provision for loan losses, net of recoveries	\$ 18,162	\$ 16,367	\$ 11,409
Transaction costs	625	567	535
Cost of revenue	18,787	16,934	11,944

Cost of revenue consists of provision for loan losses, net of recoveries, and transaction costs. Cost of revenue increased to \$18.8 million in 2019, representing an increase of 11% compared to 2018 and 57% compared to 2017.

Provision for loan losses, net of recoveries, represents the amounts charged against income during the period to maintain an adequate allowance for loan losses. Our allowance for loan losses represents our estimate of the expected credit losses inherent in our portfolio, and is based on various factors including the composition of the portfolio, delinquency levels, historical and current loan performance, expectations of future performance, and general economic conditions. The provision for loan losses increased to \$18.2 million in 2019, compared to \$16.4 million in 2018 and \$11.4 million in 2017. The 11% increase compared to 2018 was driven by growth in our gross loans receivable and changes in provisioning rates. The 59% increase compared to 2017 was primarily a result of transitioning to IFRS 9 on January 1, 2018, which required a higher upfront expensing of non-cash loan loss provision on new loans beginning in 2018 relative to before.

Transaction costs are expenses that relate directly to the onboarding and processing of new customers (excluding marketing) and include expenses such as credit scoring fees, loan system transaction fees and certain fees related to the MogoCard and MogoProtect programs. Transaction costs increased by 10% to \$0.63 million in 2019 compared to \$0.57 million in 2018, and by 17% compared to \$0.54 million in 2017.

Technology and Development Expenses

The following table provides the technology and development expenses:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Technology and development expenses	\$ 14,989	\$ 15,028	\$ 11,660
As a percentage of total revenue	25%	27%	26%

Technology and development expenses consist primarily of personnel and related costs of our product development, business intelligence, and information technology infrastructure employees. Associated expenses include third-party data acquisition expenses, professional services, hosting costs relating to servers and bitcoin mining equipment, expenses related to the development of new products and technologies and maintenance of existing technology assets, depreciation, and amortization of capitalized software costs related to our technology platform.

Technology and development expenses was flat at \$15.0 million for 2019 compared to 2018, and increased by 29% compared to 2017. Technology and development expenses as a percentage of total revenue decreased to 25% in 2019, compared to 27% in 2018 and 26% in 2017. This decrease in 2019 compared to 2018 is primarily attributed to an increase in revenue while technology related expenses and equipment amortization and depreciation expense related to our intangible and tangible assets remained consistent. Technology and development expenses as a percentage of total revenue in 2019 remained consistent compared to 2017.

The capitalization of technology and development expenses increased to \$8.4 million for the year ended December 31, 2019, compared to \$7.7 million in 2018 and \$5.1 million in 2017. The increased spend on technology highlights our commitment to investing in our technology platform for future product and service improvements. The primary development initiatives during the current year related to product initiatives and platform development including our next generation mobile app, MoneyUp user experience, MogoSpend (the first prepaid card product of its kind in Canada) and partner lending adjudication.

We believe that continuing to invest in technology is core to our strategy of building a fully digital financial services platform that enhances member experience and promotes member engagement. We expect this to help drive ongoing growth in active members and in turn increase revenue.

Marketing Expenses

The following table provides the marketing expenses:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Marketing expenses	\$ 9,412	\$ 8,772	\$ 6,854
As a percentage of total revenue	16%	16%	15%

Marketing expenses consist of salaries and personnel related costs, as well as direct marketing and advertising costs related to online and offline customer acquisition costs (paid search advertising, search engine optimization costs, and direct mail), quarterly payments to Postmedia, public relations, promotional event programs and corporate communications.

Marketing expenses increased to \$9.4 million in 2019 compared to \$8.8 million in 2018 and \$6.9 million in 2017, a 7% and 37% increase in each respective year, primarily due to launching paid search advertising and search engine optimization efforts related to partner lending, MogoSpend and MoneyUp campaigns.

Marketing expenses as a percentage of revenue have remained relatively consistent year over year. Under the marketing collaboration agreement with Postmedia, the Company is able to use the promotional commitments to market and advertise its products and services across more than 200 of Postmedia's print, media, and online properties across Canada. The Company continues to prioritize its focus on optimizing its marketing spend with Postmedia as well as investing additional resources in other third-party marketing channels which we believe will enhance our overall marketing effectiveness.

Customer Service and Operations Expenses

The following table provides the customer service and operations expenses:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Customer Service and Operations expenses	\$ 8,787	\$ 8,383	\$ 7,663
As a percentage of total revenue	15%	15%	17%

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

CS&O expenses increased to \$8.8 million, in 2019 compared to \$8.4 million in 2018 and \$7.7 million in 2017, representing an increase of 5% and 15%, respectively. The increase was primarily driven by credit scoring expenses and loan book growth. CS&O expenses as a percentage of total revenue, decreased from 17% in 2017 to 15% in 2018 as we grew our operations. CS&O expense as a percentage of total revenue remained relatively consistent at 15% for the 2019 and 2018 periods.

General and Administration Expenses

The following table provides the general and administration expenses:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
General and administration expenses	\$ 11,484	\$ 11,661	\$ 10,334
As a percentage of total revenue	19%	21%	23%

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

General and administration expenses decreased marginally to \$11.5 million in 2019, compared to \$11.7 million in 2018 and increased from \$10.3 million in 2017, representing a decrease of 2% compared to 2018 and an increase of 11% compared to 2017. The increase in 2018 was primarily attributable to an increase in personnel, insurance and stock compensation costs relative to 2017. The decrease in G&A expense in 2019 is primarily due to decrease in personnel related cost compared to 2018, which was partially offset by an increase in professional service charges. As a percentage of total revenue, general and administration expenses decreased to 19% in 2019 from 21% in 2018 and 23% in 2017, demonstrating positive operating leverage as we grow our operations.

Credit Facility Interest Expense

The following table provides a breakdown of credit facility interest expense:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Credit facility interest expense – Liquid	\$ 4,332	\$ 4,261	\$ 3,104
Credit facility interest expense – Other	6,984	5,092	4,074
Total credit facility interest expense	11,316	9,353	7,178
As a percentage of total revenue	19%	17%	16%

Credit facility interest expense relates to the costs incurred in connection with our Credit Facility – Liquid and Credit Facility – Other, including interest expense and the amortization of deferred financing costs.

Credit facility interest expense increased to \$11.3 million in 2019, compared to \$9.4 million in 2018 and \$7.2 million in 2017, representing an increase of 21% and 58%, respectively. The change is primarily due to increased usage of Credit Facility – Other resulting from the growth in our “MogoMini” loan product.

Credit facility interest expense as a percentage of total revenue remained relatively consistent between 2017 and 2018, but increased in 2019 due to the reason described above.

On December 31, 2019, we renegotiated the Credit Facility – Other, extending its maturity and decreasing the over interest rate by up to 400 bps. In the first quarter of 2020, in conjunction with the sale of the MogoLiquid Portfolio, we extinguished Credit Facility – Liquid. These changes will decrease total interest expense in 2020.

Other Income and Expense

The following table provides a breakdown of other income and expense by type:

(\$000s, except percentages)

	Years ended December 31		
	2019	2018	2017
Debt and other financing expense	\$ 8,471	\$ 8,036	\$ 7,503
Unrealized foreign exchange loss (gain)	(296)	651	(379)
Change in fair value due to revaluation of derivative liability	570	(1,733)	2,207
Gain on acquisition, net of transaction cost	(13,141)	-	-
Gain on investment portfolio	(294)	-	-
Unrealized gain on investment portfolio	(100)	-	-
Impairment of equipment	-	1,105	-
Other	645	382	313
Total other income (expense)	(4,145)	8,441	9,644
As a percentage of total revenue	(7)%	15%	21%

Total other income (expense) increased to income of \$4.1 million in 2019, compared to total expense of \$8.4 million in 2018 and \$9.6 million in 2017. The variance from 2018 to 2019 is primarily due to the gain on acquisition as a result of the business combination with Difference in the second quarter of 2019. The variance from 2017 to 2018 is primarily attributable to the non-cash change in fair value of derivative liability described further below, which was offset by a \$1.1 million impairment of equipment.

Debenture and other financing expense consist of interest expense and accretion of transaction costs related to our non-convertible and convertible debentures and interest expense related to our lease liabilities resulting from the adoption of IFRS 16 on January 1, 2019. As a result of the prospective adoption of IFRS 16, interest expense related to lease liabilities recorded in 2019 does not have a comparative expense in 2018 and 2017 due to leases being accounted for as operating leases. Offsetting this incremental increase, management continues to renegotiate the terms of its outstanding debentures decreasing related interest expense. For the year ended December 31, 2019, debenture and other financing expense increased to \$8.5 million compared to \$8.0 million in 2018 and \$7.5 million in 2017, representing an increase of 5% and 13%, respectively.

Our presentation and functional currency is the Canadian dollar (CAD). Our operations are based in Canada and we derive all of our revenue in CAD. Unrealized foreign exchange losses and gains for the years ended December 31, 2019, 2018 and 2017 are primarily associated with the translation of \$5 million in United States dollar denominated debentures into their CAD equivalent at each reporting period end.

The change in fair value due to revaluation of derivative liability, a non-cash item, are related to the warrants issued to our lender. On June 17, 2019, the Company's lender exercised its warrants resulting in a cashless net issuance of 336,871 common shares by Mogo Finance in lieu of settling the 583,333 warrants outstanding. Upon exercise of the warrants, the derivative liability was extinguished and as such no further revaluations are necessary.

During the year ended December 31, 2018, the Company recognized an impairment charge on its bitcoin mining equipment. The equipment has since been fully depreciated and is held at nil book value as at December 31, 2019.

Other expenses of \$0.6 million primarily relates to restructuring costs.

B. Liquidity and Capital Resources

The following tables set forth key liquidity metrics for the periods indicated (\$000s):

	As at December 31		
	2019	2018	2017
Cash and cash equivalents	10,417	20,439	40,560
Credit facilities	76,472	76,465	57,496
Debentures	44,039	42,156	40,240
Convertible debentures	12,373	11,889	12,988

	For the years ended December 31		
	2019	2018	2017
Cash used in operating activities	(15,210)	(29,203)	(21,358)
Cash used in investing activities	(9,085)	(11,053)	(5,421)
Cash provided by financing activities	14,273	20,135	48,715
Changes in non-cash working capital items (included in operating activities above):			
Net issuance of loans receivable	(22,207)	(36,428)	(24,927)
Other current assets	239	(1,481)	(648)
Accounts payable, accruals, and other liabilities	(323)	1,412	1,474
Working capital changes	(22,291)	(36,497)	(24,104)
Cash provided by operating activities before investment in loans receivable	6,997	7,225	3,569

To date, the Company has funded its lending activities, expenses and losses primarily through the proceeds of its initial public offering which raised \$50 million in 2015, subsequent issuance of common shares and convertible debentures, prior private placements of preferred shares, placements of debentures, credit facilities, and cash from operating activities. The completion of the Arrangement in the second quarter of 2019 also added to the Company's capital resources and strengthened its financial position with an investment portfolio totaling \$20.8 million which the Company is actively seeking to monetize. In the first quarter of 2020, the Company divested the MogoLiquid Portfolio for total gross consideration of \$31.6 million and used \$28.7 million of the proceeds to extinguish its Credit Facility - Liquid. In order to support our growth strategy, the Company gives consideration to additional financing options including accessing the capital markets for additional equity or debt, monetization of our investment portfolio, increasing the amount of long-term debentures outstanding or increasing availability under existing or new credit facilities.

Our approach to managing liquidity is to ensure, to the extent possible, that we always have sufficient liquidity to meet our liabilities as they come due. Management does so by continuously monitoring revenues, expenses and cash flow compared to budget. To maintain adequate liquidity, the long-term business goal of the Company is to diversify its funding sources. The purpose of diversification by source, geographic location and maturity is to mitigate liquidity and funding risk by ensuring that the Company has in place alternative sources of funds that strengthen its capacity to withstand a variety of market conditions and support its long-term growth. Management will continue to refinance any outstanding amounts owing under the Credit – Other or our long-term debentures and will consider the issuance of shares in lieu of amounts owing under the convertible debentures, in each case as they become due and payable. The debentures are subordinated to the Credit Facility – Other which has the effect of extending the maturity date of the debentures to the later of contractual maturity or the maturity date of Credit Facility – Other, being July 2, 2022. See Note 13 to the financial statements for further details.

On December 31, 2019, the Company amended its Credit Facility – Other. The amendments lower the effective interest rate, increase the available loan capital from \$50 million to \$60 million and extend the maturity date of the facility by two years from July 2, 2020 to July 2, 2022.

Credit Facilities

As at December 31, 2019, the Company had two credit facilities, the “**Credit Facility – Liquid**”, used to finance the Company’s installment loan products, and the “**Credit Facility – Other**”, used to finance the Company’s other loan products. As of the date hereof, only the Credit Facility – Other remains outstanding.

On September 1, 2015 the Company entered into the Credit Facility – Liquid through Mogo Finance Trust, a special purpose entity. The Credit Facility – Liquid consists of a term loan that authorizes an operating line for a maximum of \$50 million and matures on September 1, 2020. Under the terms of the agreement, the facility may be increased up to \$200 million upon certain conditions. The term loan bears interest at a variable rate of LIBOR plus 8.00% (with a LIBOR floor of 1.50%), payable on the greater of the actual aggregate unpaid principal balance, or the prescribed minimum balance under the term loan agreement. As at December 31, 2019, LIBOR was 1.74%. Subsequent to December 31, 2019, the Credit Facility – Liquid was extinguished.

On September 25, 2017, the Company finalized the Credit Facility – Other which was used to repay and replace Mogo’s previous \$30 million credit facility entered into on February 24, 2014. On December 18, 2018, the Company increased the borrowing limit on the Credit Facility – Other from \$40 million to \$50 million. On December 31, 2019, the Company amended the Credit Facility – Other. The amendments lowered the effective interest rate from a maximum of LIBOR plus 12.5% (with a LIBOR floor of 2%) to LIBOR plus 9% (with a LIBOR floor of 1.5%) effective July 2, 2020, payable on the greater of the actual aggregate unpaid principal balance or the prescribed minimum balance. In addition, the amendment increased the available loan capital from \$50 million to \$60 million and extended the maturity date of the facility by two years from July 2, 2020 to July 2, 2022. Consistent with the previous facility, there is a 0.33% fee on the available but undrawn portion of the \$60 million facility.

The Credit Facility – Other is subject to certain covenants and events of default, including the following:

- **Financial Covenants.** Financial covenants may include, among others, requirements with respect to minimum tangible net worth, maximum leverage ratio, minimum consolidated liquidity, and minimum unrestricted cash.
- **Portfolio Performance Covenants.** Portfolio performance covenants may include, among others, requirements that the portfolio not exceed certain stated static pool default ratios and delinquency rates and that the loan yield not be less than stated minimum levels.
- **Other Events.** Other events may include, among others, change of control events, certain insolvency-related events, events constituting a servicer default, an inability to engage a replacement backup servicer following termination of the current backup servicer, senior management changes, the occurrence of an event of default or acceleration under other facilities, failure to make required payments or deposits, events related to the entry of an order decreeing dissolution that remains undischarged, events related to the entry or filing of judgments, attachments or certain tax liens that remain undischarged, and events related to breaches of terms, representations, warranties or affirmative and restrictive covenants. Restrictive covenants may, among other things, impose limitations or restrictions on our ability to pay dividends, redeem our stock, make payments in order to retire or obtain the surrender of warrants or options, or our ability and of the guarantors thereunder to incur additional indebtedness, pay dividends, make investments, engage in transactions with affiliates, sell assets, consolidate or merge, make changes in the nature of the business, and create liens.
- **Early Termination Fees.** Early termination fees may be payable under the credit facility in the event of a termination or other permanent reductions of the credit commitments at the Company’s option prior to the expiration of the credit facility.

The Company is in compliance with these covenants. Interest expense on both credit facilities is included in credit facility interest expense in the consolidated statements of operations and comprehensive loss. Management routinely reviews and renegotiates terms, including interest rates and maturity dates, and will continue to refinance the Credit Facility – Other as it becomes due and payable.

Debentures

To date, the Company has issued a number of debentures which require monthly interest only payments and bear interest at annual rates ranging between 10.0% and 18.0% (2018 – 10.0% and 18.0%; 2017 – 12% and 18.2%) with principal amounts due at various periods up to March 1, 2022. (the “**Debentures**”). Interest expense on the Debentures is included in debenture and other financing expense in the consolidated statements of comprehensive loss. The Debentures are subordinated to the Credit Facility – Other and are secured by the assets of the Company. The Debentures are governed by the terms of a trust deed and, among other things, are subject to a subordination agreement which effectively extends the earliest maturity date of such debentures to July 2, 2022, the maturity date of the Credit Facility – Other.

Management routinely reviews its outstanding Debentures and actively renegotiates terms, including interest rates and maturity dates, and will continue to refinance the Debentures as they become due and payable.

The Debenture principal repayment dates, after giving effect to the subordination agreement referenced above, are as follows:

2020	-
2021	-
2022	43,496
	<u>43,496</u>

Convertible Debentures

On June 6, 2017, the Company issued 10% convertible debentures of \$15.0 million aggregate principal amount at a price of one thousand dollars per convertible debenture (the “**Convertible Debentures**”). The interest is payable semi-annually on November 30 and May 31. The Convertible Debentures are subordinated to our existing credit facilities, but senior to all other secured and subordinated indebtedness, and are secured by the assets of the Company. Prior to the completion of the Amendments (as defined below), the maturity date of the Convertible Debentures was May 31, 2020, and the Convertible Debentures are convertible, at the option of the holder, in whole or in part, into common shares of the Company at any time before the maturity date at a price of \$5.00 per common share.

Principal and interest are payable in cash or, at the Company’s option, subject to regulatory approval and provided no events of default have occurred, in common shares of the Company issued at a price equal to the volume weighted average trading price (“**VWAP**”) of the common shares for the 20 trading days ending on the fifth day prior to the maturity date or the date on which the interest payment is due, as applicable.

On the date of issuance, the gross proceeds of \$15.0 million were first allocated to the debt component of the Convertible Debentures by discounting the future principal and interest payments at the prevailing interest rate at the date of issuance for a similar non-convertible debt instrument. The difference between gross proceeds and the debt component, or residual value, was then allocated to contributed surplus within shareholders’ equity. Transaction costs were allocated to the debt and equity components on a pro-rata basis, and amortized as a component of accretion of the Convertible Debenture.

Interest expense, which includes interest payable and the accretion of the Convertible Debenture, in the amounts of \$2,035 for the year ended December 31, 2019 (December 31, 2018 – \$1,947; December 31, 2017 – \$1,248) is included in debenture interest expense in the consolidated statements of comprehensive loss.

In 2019, the Company issued 308,502 shares in lieu of interest payable (December 31, 2018 – 367,270; December 31, 2017 – 122,655) and 58,200 (December 31, 2018 – 398,600; December 31, 2017 – 19,000) shares for the conversion of \$291 of principal (December 31, 2018 – \$1,865; December 31, 2017 – \$87).

On April 27, 2020, the Company announced that it would seek the approval of holders (the "**Convertible Debentureholders**") of the Convertible Debentures to amend certain terms of the Convertible Debentures at an extraordinary meeting held on May 22, 2020 (the "**Meeting**") as an alternative to the Company repaying the Convertible Debentures in common shares on their scheduled maturity date. The proposed amendments included, among other things, extending the maturity date of the Convertible Debentures from May 31, 2020 to May 31, 2022 and reducing the conversion price of the principal by 45% from \$5.00 to \$2.75 per Common Share, all as more fully set forth in the management information circular of the Company dated April 17, 2020 and the press release issued by the Company dated May 7, 2020 (the "**Amendments**"). On May 25, 2022, the Company announced that the Convertible Debentureholders approved the Amendments at the Meeting, with Convertible Debentureholders voting over 94% in favour of the extraordinary resolution, with over 78% of the outstanding aggregate principal amount of Convertible Debentures being voted. On May 27, 2020, the Company entered into a second supplemental convertible debenture indenture to implement the Amendments.

Cash provided by (used in) operating activities

Cash and cash equivalents are primarily held in CAD.

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

Cash (used in) operating activities decreased to (\$15.2) million for the year ended December 31, 2019, compared to (\$29.2) million in 2018 and (\$21.4) million in 2017. The decrease in cash (used in) operating activities was driven by a decrease in the amount of net investment we made in our gross loans receivable of (\$22.2) million in the year ended December 31, 2019, compared to (\$36.4) million in 2018 and (\$24.9) million in 2017.

If net investments in the loans receivable portfolio were treated as cash flows from investing activities, the cash provided by operating activities would be \$7.0 million, \$7.2 million, and \$3.6 million during the year ended December 31, 2019, 2018 and 2017, respectively, a decreased inflow of \$0.2 million compared to 2018 and an increased inflow of \$3.4 million compared to 2017.

Cash provided by (used in) investing activities

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

For the year ended December 31, 2019, cash invested in software development and the purchase of property and equipment was \$9.1 million, a decrease of \$2.0 million compared to \$11.1 million in 2018 and an increase of \$3.7 million from \$5.4 million in 2017. The decrease in 2019 compared to 2018 is due to the cash investment we made in our bitcoin mining operation in 2018, from which we exited in the second quarter of 2019. The increase in 2019 compared to 2017 is due primarily to the continued build out of our digital technology platform and new products.

Cash provided by (used in) financing activities

Our financing activities have consisted primarily of the issuance of our common shares, debentures, convertible debentures, and borrowings from the credit facilities. In 2019, we completed a business combination with Difference in which we acquired \$10.2 million of cash, which is included in the financing activities.

Cash provided by financing activities for the year ended December 31, 2019 was \$14.3 million, a decrease of \$5.9 million compared to 2018 and \$34.4 million compared to 2017. The decrease in 2019 compared to 2018 is primarily due to lower credit facility draws offset by cash acquired from Difference. The decrease compared to 2017 is due to net proceeds of \$13.5 million and \$24.4 million received from the issuance of convertible debentures and issuance of common shares, respectively in that year.

Contractual Obligations

The following table sets forth contractual obligations as at December 31, 2019, including commitments relating to leasing contracts. Management will continue to refinance any outstanding amounts owing under the credit facilities or our long-term debentures as they become due and payable.

(\$000s)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>
<i>Commitments - operational</i>						
Lease payments	1,455	1,481	1,370	1,355	1,274	3,881
Accounts payable	7,128	-	-	-	-	-
Accrued wages and other expenses	4,126					
Interest – Credit Facility – Other ⁽¹⁾	7,959	6,813	3,407	-	-	-
Interest – Debentures	6,464	5,938	2,969	-	-	-
Purchase obligations	2,111	-	-	-	-	-
	<u>29,243</u>	<u>14,232</u>	<u>7,746</u>	<u>1,355</u>	<u>1,274</u>	<u>3,881</u>
<i>Commitments – principal repayments</i>						
Credit Facility – Other	-	-	47,248	-	-	-
Debentures and convertible debentures ⁽²⁾	12,373	-	43,496	-	-	-
	<u>12,373</u>	<u>-</u>	<u>90,744</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Commitments – extinguished subsequent to year end</i>						
Credit Facility – Liquid ⁽³⁾	29,255	-	-	-	-	-
Total contractual obligations	<u>70,871</u>	<u>14,232</u>	<u>98,490</u>	<u>1,355</u>	<u>1,274</u>	<u>3,881</u>

(1) Interest on credit facility is calculated based on LIBOR rates as at December 31, 2019.

(2) The maturity date of the convertible debentures will be extended from May 31, 2020 to May 31, 2022 – see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Convertible Debentures. The convertible debentures are repayable in common shares at the discretion of the Company.

(3) Credit facility liquid was extinguished subsequent to year ended December 31, 2019. Refer to note 26 of the Consolidated Financial Statements in “Item 18. Financial Statements.”

The Company has no material commitments for capital expenditures as at December 31, 2019.

C. Research and Development, Patents and Licenses, etc.

The following table should be read in conjunction with “Item 4. Information on the Company – B. Business Overview”. The Company continues to invest in the development of its software platform which is captured as an addition to intangible assets in the Consolidated Financial Statements.

	2019	2018	2017
Addition to intangible assets	8,438	7,730	5,143

D. Trend Information

The information required by this item is set forth above in “Item 5. Operating and Financial Review and Prospects — A. Operating Results,” and “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources”. Other than as disclosed elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments or events since December 31, 2019 that are reasonably likely to have a material adverse effect on our revenues, income, profitability, liquidity or capital resources, or that would cause the reported financial information in this annual report on Form 20-F to be not necessarily indicative of future operating results or financial conditions.

E. Off-Balance Sheet Arrangements

Not applicable.

F. Tabular Disclosure of Contractual Obligations

The information required by this item is set forth above in “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Contractual Obligations”.

G. Safe Harbor

This annual report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See “Cautionary Note Regarding Forward-Looking Statements.”

ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES
A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report on Form 20-F.

Name and Province or State and Country of Residence	Age	Position/Title	Director Since
David Feller ¹ British Columbia, Canada	52	Chairman of the Board, CEO	August 26, 2003
Gregory Feller ¹ New York, United States	52	President, CFO and Director	April 10, 2015
Minhas Mohamed ² Ontario, Canada	63	Director	April 10, 2015
Kees Van Winters ³ Ontario, Canada	68	Director	June 21, 2019
Michael Wekerle ⁴ Ontario, Canada	56	Director	June 21, 2019

- (1) David Feller and Gregory Fellers are brothers.
- (2) Chair of the Audit Committee; Member of the Corporate Governance, Compensation and Nominating Committee (“CGCNC”).
- (3) Chair of the CGCNC; Member of the Audit Committee.
- (4) Member of the Audit Committee and CGCNC.

David Feller founded Mogo in 2003 and currently serves as the Company’s Chief Executive Officer and Chair of our Board of Directors. Over the past 15 years, Mr. Feller has grown Mogo into Canada’s leading digital financial platform with over 1,000,000 members and annual revenue of \$60MM. During that time, he led the Company through equity and debt financings totaling more than \$380MM including 2 rounds of private equity financings, securing 2 credit facilities with a leading global investment firm and the Company’s IPO on the Toronto Stock Exchange. Mr. Feller is passionate about using technology and design to deliver innovative digital solutions that help consumers improve their financial health. He is a former member of the Young Entrepreneurs Organization (YEO) of Canada and is a graduate of the University of Western Ontario with a Bachelor of Arts degree. Mr. Feller’s experience leading the business along with his responsibilities for the strategic direction, product innovation and management of Mogo’s day to day operations, bring broad industry and specific institutional knowledge and experience to the Board of Directors.

Gregory Feller is a co-founder of Mogo and has served as the Company’s Chief Financial Officer since August 2011, and has served as a member of our Board of Directors and President of the Company since April 2015. Prior to his appointment, Mr. Feller was a Managing Director and Co-Head of the Technology Investment Banking Group at Citadel Securities, a financial services group. From 2008 to 2010, Mr. Feller was a Managing Director at UBS Investment Bank, a global financial institution. Prior to joining UBS, Mr. Feller was a Managing Director with Lehman Brothers where he worked from 2001 to 2008 and a Vice President at Goldman Sachs & Co. from 1998 to 2000. Mr. Feller has a Bachelor of Administrative and Commercial Studies from the University of Western Ontario and a Masters of Management from the Kellogg School of Management at Northwestern University, where he graduated Beta Gamma Sigma.

Minhas Mohamed is President, Chief Executive Officer and Co-Founder of MMV Financial Inc. which is a specialty finance company providing debt financing to emerging technology and life sciences companies across North America. Mr. Mohamed was also the founder and Managing Partner of MM Venture Partners (predecessor firm). Since its inception in 1998, MMV and the predecessor firm have invested over US\$400 million in 200+ companies across North America. Mr. Mohamed has overall management and strategic responsibility for MMV Financial. He has over 25 years of experience in the financing of technology and emerging growth companies, both in Canada and internationally. Prior to founding MM Venture Partners in August 1998, Mr. Mohamed spent 10 years as a senior partner and shareholder with Quorum Funding Corporation, one of Canada's leading technology-focused venture capital funds. Prior to Quorum, he spent several years at the venture capital subsidiary of Schroders PLC, and was also with Ernst & Young where he obtained his Chartered Accountant designation. He has been a director of many public companies, including Promis Systems and Quorum Funding and for 11 years an independent trustee of InnVest REIT. Mr. Mohamed is a founding member and former Chairman of the Toronto Venture Group. Mr. Mohamed is a graduate of the University of Western Ontario and is a Chartered Accountant and a Chartered Financial Analyst.

Michael Wekerle was a co-founder and partner of Griffiths McBurney & Partners' sales and trading operations in 1995. He served as Vice Chairman of Institutional Trading at GMP Securities L.P. until August 2011 where he was widely considered a leading investment advisor in Canada. During his time, he helped establish the firm's hedge fund and institutional trading desk and developed a reputation for assisting clients in profiting from large-scale transactions. Prior to his tenure at GMP, Mr. Wekerle was head of institutional trading at First Marathon Securities Ltd.

Kees Van Winters has been active in the telecom and technology industries since 1986. He was Vice-President of Sales and Marketing for Nationwide Cellular Service in New York from 1986 to 1992 and was a consultant to several major telecom companies in Canada and the USA from 1992 to 1996. Since then he has acted as a consultant to a number of small technology companies.

As at December 31, 2019, the directors and executive officers of the Company directly or beneficially owned or controlled an aggregate of 9,148,851 common shares, representing approximately 33% of the Company's issued and outstanding common shares as of December 31, 2019.

Corporate Cease Trade Orders

None of our directors or executive officers has, within the 10 years prior to the date of this this Form 20-F, been a director, chief executive officer or chief financial officer of any company (including us) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Corporate Bankruptcies

None of our directors or executive officers has, within the 10 years prior to the date of this this Form 20-F, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

To the best of our knowledge, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies.

Interests of Management and Others in Material Transactions

To the best of our knowledge, there are no material interests, direct or indirect, of any of our directors or senior management, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of our outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries.

B. Compensation

The following discussion describes the significant elements of our executive compensation program, with particular emphasis on the process for determining compensation payable to our executive officers.

Our executive compensation practices are designed to attract and retain the skillsets and experience needed to lead the development and execution of the Company's strategy and to reward our executives for high performance and their contribution to our long-term success. The Board seeks to compensate executives by combining short-term and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives, and to align executive officers' incentives with the Company's performance.

In order to achieve our aggressive growth objectives, attracting and retaining the right team members is critical. A key part of this is a well-thought out compensation plan that attracts high performers with specific skillsets and compensates them for continued achievements.

Setting executive compensation in a growth-oriented fintech organization can be challenging as we seek to balance the creation of shareholder value with long-term growth objectives. As a result, elements of our compensation plan evolve from year to year as the Company matures.

Our Board, on recommendations from the CGCNC, makes decisions regarding all forms of compensation, including salaries, bonuses and equity incentive compensation for our executives, as well as approves corporate goals and objectives relevant to our executives' compensation. Finally, the CGCNC in conjunction with senior management also administers employee incentive compensation, including the Company's Stock Option Plan (the "**Stock Option Plan**") and Restricted Share Unit Plan (the "**RSU Plan**").

Compensation Discussion and Analysis

Context of our Executive Compensation Practices

There are several relevant market and business factors that present challenges for the creation of an effective executive compensation program, including the following:

- We are a pre-profit, publicly listed company in an emerging sector. We provide products and services that are highly disruptive in the legacy financial services market in Canada.
- We compete for talent in the technology industry, where there is a high emphasis on equity as a key component of compensation. We also compete for talent in the financial services space, where there are high salaries with entrenched short-term and long-term compensation plans, perquisite programs and retirement benefits.

The CGCNC aims to balance these factors with the expectations of our shareholders and their responsibilities around oversight. As the business matures through the execution of our corporate strategy, the CGCNC will continue to evolve our compensation strategies to match.

How Executive Compensation is determined

The CGCNC annually assesses and makes a recommendation to the Board with regard to the competitiveness and appropriateness of the compensation package, including regular, incentive and equity-based compensation of the executive officers. As required, the CGCNC retains independent advice in respect of compensation matters and, if deemed appropriate by the Committee, meets separately with such advisors. Mogo specifically uses salary survey information to benchmark its compensation against the market. Mogo uses a variety of specialized survey data and relies heavily on data from The Mercer HR Tech Group Salary Survey. This survey is based in British Columbia, but the data is relevant for all Canadian high-tech markets. The most recent survey included data provided by over 95 leading technology organizations in the British Columbia market. The survey includes cash, short and long-term incentive information and has executive benchmarks for over 30 functions. Compensation analysis is available by size and type of organization. Additionally, third party consultants have also provided input on our senior leadership and executive compensation.

Summary of Elements of Compensation Program

Our executive compensation consists primarily of three elements: base salary, annual bonus and long-term equity incentives.

Annual Base Salary

Annual base salary reflects the scope and responsibilities of the role, each executive's personal experience and performance, and market competitiveness. Base salaries are reviewed annually based on individual performance and/or for market competitiveness. Additionally, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of an executive's role or responsibilities, as well as for market competitiveness or in response to economic conditions. In light of the uncertain economic environment resulting from COVID-19, the Company implemented temporary salary cuts beginning in May 2020 ranging from 5% to 40% depending on level of salary and seniority for all employees above a certain salary threshold.

Annual Performance Bonus

Annual performance bonus is expressed as a percentage of annual base salary and is calculated based on achievement levels against a mix of corporate performance goals and individual performance goals and is payable at the discretion of the Board. Historically, the bonus has been paid in cash. In 2019, the Board and executives made the decision to shift to an equity-based bonus payout in respect of 2018 and no cash bonus will be paid in respect of 2019.

Long-Term Incentives

Stock Options - Stock options are awarded annually at the Board's discretion and typically vest over four years with an eight-year term. Stock options align executive compensation with shareholder interests as the value is dependent on post-vesting share price.

Our Stock Option Plan is in place for the benefit directors, officers, employees and consultants of the Company, including the executive officers. The executive officers and directors have been issued options under such plan.

Our Stock Option Plan was adopted effective November 15, 2013, as amended. Subject to the requirements of the Stock Option Plan, the Board, with the assistance of the CGCNC, has the authority to determine when options will be granted, which eligible persons will be granted options, the number of common shares subject to each option granted and the vesting for each option.

RSUs – We established RSU Plan to form part of our incentive compensation arrangements which is available for eligible directors, officers and employees of the Company as of April 18, 2018, the closing date of our IPO. Restricted stock units (“**RSUs**”) are issued in limited amounts and only awarded to senior management, and typically vest over three years. RSUs are aligned with shareholder interests as their value depends on post-vesting share price.

In setting the annual performance objectives and evaluating executive compensation, the Company considers each element carefully against relevant internal and market factors and the Board provides appropriate oversight with regard to the payment of short and long-term incentives to ensure alignment with our shareholders' long-term interests.

Compensation of Executive Officers

The following table sets out information concerning the compensation earned by the executive officers during the year ended December 31, 2019.

Name and Principal Position	Salary	Share-based Awards	Option-based Awards ⁽²⁾	Non-Equity Incentive Plan Compensation	All Other Compensation	Total Compensation
David Feller CEO	\$ 353,098	-	\$ 118,457	-3	\$ 2,163	\$ 473,717
Gregory Feller ⁽¹⁾ President & CFO	\$ 394,528	-	\$ 118,457	-3	\$ 51,675	\$ 564,660

1. Gregory Feller is paid in US dollars. The Canadian dollar equivalent expressed in the table above is based on the average US dollar to Canadian dollar exchange rate posted by the Bank of Canada which was CAD\$ 1.3269 = US\$1.00 for 2019.
2. Options to purchase common shares, see "Item 6. Directors and Senior Management – E. Share Ownership" for number of options, exercise price and expiry date. The fair value of these stock options has been calculated at the time of grant using the Black-Scholes option pricing model, based on the following assumptions for 2019: risk-free interest rate of 1.48%; expected life of 5 years; weighted expected stock price volatility of 50% and expected dividend yield of Nil.
3. No cash bonus will be paid for 2019.

Compensation of Directors

The directors' compensation program is designed to attract and retain qualified individuals to serve on the Board. As non-executive directors, Messrs. Mohamed, Van Winters, and Wekerle are paid an annual retainer fee of \$24,000 plus \$500 per formal Board or committee meeting they attend. A non-executive director who serves as chair of the Audit Committee receives an additional \$20,000 and a non-executive director who serves as chair of the CGCNC receives an additional \$10,000. All directors are entitled to reimbursement for expenses incurred by them in their capacity as directors and are eligible to receive stock options and RSUs under the Stock Option Plan and RSU Plan, respectively.

The following table provides information regarding compensation paid to the Company's non-executive directors during the financial year ended December 31, 2019.

Name	Fees Earned	Option-Based Awards	Share-Based Awards	Total Compensation
Minhas Mohamed	\$ 52,004.00	-	-	\$ 52,004.00
Kees Van Winters	\$ 19,942.67	-	-	\$ 19,942.67
Michael Wekerle	\$ 14,166.67	-	-	\$ 14,166.67

Benefits upon Termination of Employment

Each of the executive officers has entered into an employment agreement with the Company. Those employment agreements include provisions regarding base salary, annual bonuses, eligibility for benefits, confidentiality and ownership of intellectual property, among other things. Upon termination of employment without cause or by the executive for good reason, Mr. David Feller and Mr. Gregory Feller are entitled to twenty-four months' notice or pay in lieu of notice calculated on base salary. Messrs. Feller employment agreements also provide for continued benefit coverage and option vesting for the duration of the notice period and payment in respect of eligible bonuses.

In addition, Messrs. Feller employment agreements contains a provision entitling them to full acceleration of vesting of any stock options previously granted to them upon a 'Change in Control', as defined in the Stock Option Plan.

None of the directors have service contracts with the company or any of its subsidiaries providing for benefits upon termination of employment.

Pension Plan Benefits

The Company does not provide a defined benefit pension plan or a defined contribution pension plan for any of its employees, nor does it have a deferred compensation pension plan for any of its employees. There are no amounts set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits.

C. Board Practices

Directors are elected each year at the annual meeting of shareholders of the Company to serve until the next annual meeting or until a successor is elected or appointed. The Company has not adopted term limits for directors of the Company. See "Item 6. Directors, Senior Management and Employees – A. Directors and Senior Management" for details for the period during which each director has served in his office.

Board Committees

Audit Committee

Mogo's Audit Committee consists of three directors, all of whom are independent under applicable Canadian and U.S. standards. They are also all financially literate in accordance with National Instrument 52-110 – *Audit Committees* ("NI 52-110") and with NASDAQ Stock Market Rules. The members of the Audit Committee are Minhas Mohamed (Chair), Kees Van Winters and Michael Wekerle.

Our Board has adopted a written charter for the Audit Committee. The mandate of the Audit Committee is to assist our Board in fulfilling its financial oversight obligations, including the responsibility: (1) to identify and monitor the management of the principal risks that could impact the financial reporting of the Company, (2) to monitor the integrity of our financial reporting process and our internal accounting controls regarding financial reporting and accounting compliance; (3) to oversee the work, independence, objectivity, and performance of our external auditor; (4) to review with financial management and the external auditors the quarterly unaudited financial statements and management discussion and analysis before release to the public; and (5) to provide an open avenue of communication between the external auditors, our Board and our management.

A copy of the charter of the Audit Committee can be accessed electronically at <https://investors.mogo.ca/corporate-governance>.

Corporate Governance, Compensation and Nominating Committee

The Board has appointed the CGCNC comprising of three independent directors under applicable Canadian and U.S. standards. The members of the CGCNC are Kees Van Winters (Chair), Michael Wekerle and Minhas Mohamed.

Our Board has determined that the composition of the CGCNC is appropriate, given that all of the members are independent. Pursuant to the charter of the CGCNC, its mandate is to assist our directors in carrying out the Board's oversight responsibility for (i) overseeing our human resources and compensation policies and processes, (ii) demonstrating to our shareholders that the compensation of the directors who are also our employees is recommended by directors who have no personal interest in the outcome of decisions of the CGCNC and who will have due regard to the interests of all of our shareholders, (iii) ensuring that our strategic direction is reviewed annually, and (iv) ensuring that the Board and each of its committees carry out their respective functions in accordance with an appropriate process.

In addition, the CGCNC is responsible for overseeing and assessing the functioning of the Board, its committees and individual directors, and for the development, recommendation to the Board, implementation and assessment of effective corporate governance principles.

A copy of the charter of the CGCNC can be accessed electronically at <https://investors.mogo.ca/corporate-governance>.

D. Employees

As of December 31, 2017, 2018 and 2019, we had 237, 278 and 258 employees, respectively. The following table sets forth the number of our employees categorized by area of operations:

	As of Dec 31, 2017	As of Dec 31, 2018	As of Dec 31, 2019
General & Administrative	49	50	50
Customer Service & Operations	108	129	120
Technology	80	99	88
TOTAL	237	278	258

E. Share Ownership

The following table summarizes, as of May 27, 2020, share ownership including options and RSUs granted under the Stock Option Plan and RSU Plan to our executive officers and directors.

Name	Common Shares	% Common Shares	Option-Based Awards				Share-Based Awards	
			Common Shares Underlying Options Outstanding	Option Exercise Price	Grant Date	Expiration Date	Common Shares Underlying RSUs that have not vested	Grant Date
David Feller	2,043,142	7.3%	66,667	\$ 2.10	15-Nov-13	15-Nov-21	5,000	7-Jun-17
			116,666	\$ 10.00	25-Jun-15	25-Jun-23	18,750	9-May-18
			100,000	\$ 1.78	12-Sep-16	12-Sep-24		
			100,000	\$ 4.44	7-Jun-17	7-Jun-25		
			50,000	\$ 4.21	27-Sep-17	27-Sep-25		
			50,000	\$ 3.88	9-May-18	9-May-26		
			58,857	\$ 4.52	17-Jun-19	17-Jun-27		
Gregory Feller	1,427,344	5.1%	66,667	\$ 2.10	15-Nov-13	15-Nov-21	5,000	7-Jun-17
			100,000	\$ 10.00	25-Jun-15	25-Jun-23	18,750	9-May-18
			100,000	\$ 1.78	12-Sep-16	12-Sep-24		
			100,000	\$ 4.44	7-Jun-17	7-Jun-25		
			50,000	\$ 4.21	27-Sep-17	27-Sep-25		
			50,000	\$ 3.88	9-May-18	9-May-26		
			58,857	\$ 4.52	17-Jun-19	17-Jun-27		
Minhas Mohamed	68,392	0.2%	16,667	\$ 2.10	21-Feb-14	21-Feb-22	7,500	9-May-18
			8,333	\$ 9.15	10-Mar-15	10-Mar-23		
			30,000	\$ 1.78	12-Sep-16	12-Sep-24		
			20,000	\$ 1.89	14-Nov-16	14-Nov-24		
			15,000	\$ 4.21	27-Sep-17	27-Sep-25		
			10,000	\$ 3.88	9-May-18	9-May-26		
Kees Van Winters	273,930	1.0%	25,000	\$ 3.00	5-Mar-18	5-Mar-28		
			7,000	\$ 2.50	28-Nov-18	28-Nov-28		
Michael Wekerle	5,346,043	19.2%	20,000	\$ 6.70	14-Mar-16	14-Mar-26		
			45,000	\$ 2.50	28-Nov-18	28-Nov-28		

ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**A. Major Shareholders**

Based on a review of the information provided to us by our transfer agent, as of April 30, 2020, there were 188 record holders, of which 133 record holders holding approximately 92.05% of our common shares had registered addresses in Canada. These numbers are not representative of the number of beneficial holders of our common shares nor are they representative of where such beneficial holders reside, since many of these common shares are held of record by brokers or other nominees.

The following table sets forth information with respect to the beneficial ownership of our common shares as of May 27, 2020, the latest practicable date, by each person known to us to own beneficially more than 5% of our common shares. The calculations in the table below are based on the 27,870,604 common shares outstanding as of May 27, 2020.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days from May 27, 2020, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

No holder of common shares has different voting rights from any other holders of common shares.

Principal Shareholder	Shares Beneficially Owned	
	Number	%
David Feller	2,514,498	9.0%
Gregory Feller	1,890,034	6.8%
Michael Wekerle	5,413,243	19.4%

B. Related Party Transactions

The significant related-party transactions that occurred during the year ended December 31, 2019 were transactions with debenture holders that incur interest. Related party debentures at year end totaled \$0.3 million (December 31, 2018 – \$3.3 million; December 31, 2017 – \$3.1 million) with principal amounts maturing at July 2, 2022. Interest incurred during the period, ranging from 10.0% to 18.0% (December 31, 2018 – 12.0% -18.0%; 2017 – 15.0% to 18.0%), on related party debentures totaled \$0.3 million (December 31, 2018 – \$0.5 million; December 31, 2017 – \$0.5 million). The related parties involved in such transactions were (i) a member of the family of Gregory Feller, a director and officer of the Company; (ii) David Feller, a director and officer of the Company; and (iii) key management personnel and members of their families. The debentures are ongoing contractual obligations that are used to fund our corporate and operational activities.

On June 28, 2019, the Company sold its minority interest in Wekerloo Development Inc., which is majority-owned by one of the Company's directors, for an arms' length buyer for proceeds of \$2.1 million, equivalent to its initial cost recognized on the balance sheet, resulting in no gain or loss on disposition.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8: FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information.

See "Item 18. Financial Statements" for the Consolidated Financial Statements included in this annual report on Form 20-F.

Legal Proceedings

See "Item 4. Information About the Company – B. Business Overview".

Dividend Policy

The holders of common shares are entitled to receive distributions as and when declared from time to time on the common shares by the Board, acting in its sole discretion, out of the Company's assets properly available for the payment of dividends.

On February 27, 2019, the Board declared the Company's first ever special dividend of \$0.10 per common share, payable in cash. The Company intends to reinvest all future earnings in order to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on the common shares in the foreseeable future. The declaration of any future dividends by the Board will be dependent on the Company's earnings, liquidity position, financial condition and capital requirements, as well as any other factors deemed relevant by the Board.

Significant Changes

There have been no significant changes to our business that we believe could reasonably be expected to have a material adverse effect on our business, results of operations and financial condition.

ITEM 9: THE OFFER AND LISTING

Not applicable, except for Item 9A(4) and Item 9C.

A. Offering and Listing Details

Our common shares have been listed on the TSX and NASDAQ under the symbol 'MOGO' since June 25, 2015 and April 18, 2018, respectively.

	TSX Trading Price (CAD\$)		NASDAQ Price (US\$)	
	High	Low	High	Low
Annual				
2015	\$ 9.48	\$ 2.07	-	-
2016	\$ 3.76	\$ 1.20	-	-
2017	\$ 8.00	\$ 1.94	-	-
2018	\$ 6.89	\$ 2.77	\$ 4.00	\$ 2.07
2019	\$ 5.23	\$ 2.76	\$ 4.05	\$ 2.15
Quarterly				
Q1 2018	\$ 6.89	\$ 3.34	-	-
Q2 2018	\$ 4.35	\$ 2.95	\$ 3.25	\$ 2.26
Q3 2018	\$ 4.96	\$ 3.61	\$ 4.00	\$ 2.77
Q4 2018	\$ 4.13	\$ 2.77	\$ 3.13	\$ 2.07
Q1 2019	\$ 3.80	\$ 2.76	\$ 2.90	\$ 2.15
Q2 2019	\$ 5.23	\$ 3.02	\$ 4.05	\$ 2.26
Q3 2019	\$ 4.75	\$ 3.15	\$ 3.88	\$ 2.18
Q4 2019	\$ 4.90	\$ 3.16	\$ 3.80	\$ 2.40
Monthly				
January 2019	\$ 3.20	\$ 2.76	\$ 2.35	\$ 2.15
February 2019	\$ 3.25	\$ 2.90	\$ 2.71	\$ 2.17
March 2019	\$ 3.80	\$ 3.04	\$ 2.90	\$ 2.22
April 2019	\$ 5.13	\$ 3.02	\$ 3.82	\$ 2.26
May 2019	\$ 5.23	\$ 4.09	\$ 4.00	\$ 3.03
June 2019	\$ 5.17	\$ 4.41	\$ 4.05	\$ 3.25
July 2019	\$ 4.40	\$ 3.58	\$ 3.62	\$ 2.75
August 2019	\$ 4.20	\$ 3.15	\$ 3.15	\$ 2.18
September 2019	\$ 4.75	\$ 3.71	\$ 3.88	\$ 2.61
October 2019	\$ 4.90	\$ 3.84	\$ 3.80	\$ 2.81
November 2019	\$ 4.02	\$ 3.42	\$ 3.05	\$ 2.55
December 2019	\$ 3.85	\$ 3.16	\$ 2.96	\$ 2.40
January 2020	\$ 3.80	\$ 3.29	\$ 3.02	\$ 2.53
February 2020	\$ 3.64	\$ 2.69	\$ 2.80	\$ 2.18
March 2020	\$ 3.07	\$ 0.79	\$ 2.35	\$ 0.55
April 2020	\$ 1.55	\$ 1.14	\$ 1.13	\$ 0.80
May (until May 26, 2020)	\$ 1.80	\$ 1.03	\$ 1.34	\$ 0.72

In 2019, 356,904 common shares were issued as a result of the exercise of options granted under our Stock Option Plan, at a weighted average exercise price of \$2.16 per share and 93,782 common shares were issued upon vesting of restricted stock units under our Restricted Stock Unit Plan at an average weighted issuance price of \$3.77 per share.

B. Markets

Our common shares have been listed on the TSX and NASDAQ under the symbol 'MOGO' since June 25, 2015 and April 18, 2018, respectively.

ITEM 10: ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Incorporation

The Company was originally incorporated by letters patent under the laws of Canada on January 14, 1972 and ultimately continued into British Columbia on June 21, 2019. The Company's incorporation number is C1213467.

Objects and Purposes

The Articles of the Company do not contain limitations or restrictions on the business of the Company.

Directors

Under the Articles of the Company, a director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the BCA. A director with a disclosable interest in a contract or transaction is not entitled to vote on any directors' resolution approving the contract or transaction, unless all directors have an interest in the contract or transaction. A director with a disclosable interest in a contract or transaction is entitled to be counted as part of the quorum for the directors' meeting to consider the contract or transaction. Such director or senior officer who holds a disclosable interest in a contract or transaction is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the BCA.

Under the Articles, the Company, if authorized by the directors, may: (a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate; (b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate; (c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and (d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

Directors are not required to hold a share of the Company as qualification for his or her office but must be qualified as required by the BCA to become, act or continue to act as a director.

The Articles do not specify a retirement age for directors.

Subject to the BCA, the Company must indemnify a director, former director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding.

Rights, Preferences and Restrictions

The Company's Notice of Articles provides that the authorized capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares of the Company.

Subject to the BCA, the directors may from time to time declare and authorize payment of such dividends as they may consider appropriate. The dividend provisions are subject to the rights, if any, of shareholders holding shares with special rights as to dividends. All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders: (a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and (b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

At every annual general meeting: (a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under the Articles; and (b) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (a), but are eligible for re-election or re-appointment.

The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that: (a) the Company is insolvent; or (b) making the payment or providing the consideration would render the Company insolvent.

Subject to the BCA, the Company may by special resolution make alterations to the authorized share structure and special rights or restrictions to change the rights of the shareholders. The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

Shareholder Meeting

The Company's Articles provide that (a) the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors; (b) the directors may, at any time, call a meeting of shareholders to be held at such time and place as may be determined by the directors; (c) the quorum for the transaction of business at a meeting of shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 25% of the issued shares entitled to be voted at the meeting; and (d) in addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company, any other persons invited to be present at the meeting by the directors or by the chair of the meeting and any persons entitled or required under the BCA or the Company's Articles to be present at the meeting.

Limitations on Ownership of Securities

Except as provided in the Investment Canada Act, there are no limitations specific to the rights of non-Canadians to hold or vote the common shares under the laws of Canada or British Columbia or in the Company's charter documents.

Change in Control

There are no provisions in the Articles or charter documents that would have the effect of delaying, deferring or preventing a change in the control of the Company, or that would operate with respect to any proposed merger, acquisition or corporate restructuring involving its company or any of its subsidiaries.

Ownership Threshold

There are no provisions in the Articles governing the ownership threshold above which shareholder ownership must be disclosed. Securities legislation in Canada, however, requires that shareholder ownership (as well as ownership of an interest in, or right or obligation associated with, a related financial instrument of a security of the Company) must be disclosed once a person beneficially owns or has control or direction over, directly or indirectly, securities of a reporting issuer carrying more than 10% of the voting rights attached to all the reporting issuer's outstanding voting securities and United States federal securities laws require us to disclose in this our annual report on Form 20-F, holders who own 5% or more of our issued and outstanding shares.

Changes to Capital

There are no conditions imposed by the Articles governing changes in the rights of holders of common shares where such conditions are more significant than is required by the laws of British Columbia.

Description of Capital Structure

There are no conditions imposed by the Articles governing changes in the capital that are more stringent than is required by the laws of British Columbia.

C. Material Contracts

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, to which the Company or any other member of the group is a party, for the two years immediately preceding the date of this annual report on Form 20-F:

- Second Amended and Restated Marketing Collaboration Agreement effective January 1, 2020 between the Company and Postmedia, which extended the term of the initial marketing collaboration agreement with Postmedia effective January 26, 2016 for an additional two years to the end of 2022, and which will provide Mogo with over \$15 million of annual media value for the next three years. Under the amended and extended agreement, Mogo will continue to receive a similar minimum annual media value from Postmedia to the original agreement while Postmedia will receive a similar quarterly payment to the previous agreement through a combination of a quarterly fixed cash payment of \$263,000 and minimum commissions of \$112,500 per quarter related to Mogo's digital performance spend, which will now be managed by Postmedia's digital division. In connection with the amendment and extension of the agreement, Mogo agreed to issue to Postmedia 5-year warrants to acquire 350,000 common shares of Mogo at an exercise price of \$3.537, which will vest in equal instalments over three years. Mogo also agreed to extend the term of 50% of the warrants previously issued to Postmedia from January 25, 2021 to January 25, 2023, subject to shareholder approval. The full text of the Second Amended and Restated Marketing Collaboration Agreement is incorporated herein by reference to Exhibit 99.2 of the Company's report on Form 6-K filed with the SEC on February 20, 2020.

- Amended and Restated Revolving Credit and Guarantee Agreement dated between Mogo, Mogo Finance, Mogo Financial Inc., Mogo Financial (B.C.) Inc., Mogo Financial (Alberta) Inc., Mogo Financial (Ontario) Inc. and DB FSLF 50 LLC as of July 16, 2019, and as further amended by that First Amendment Agreement dated as of December 31, 2019, the Second Amendment Agreement dated March 30, 2020 and the Third Amendment Agreement dated April 15, 2020. See “Item 5. Operating and Financial Review and Prospects–B. Liquidity and Capital Resources–Credit Facilities” for more information. The full text of the First Amendment Agreement is incorporated herein by reference to Exhibit 99.1 of the Company’s report on Form 6-K filed with the SEC on January 10, 2020.
- Second Supplemental Convertible Debenture Indenture dated May 27, 2020 between the Company and Computershare Trust Company of Canada (“**Computershare**”), permitting the issuance of debentures, notes or other evidences of indebtedness of the Company, including the Convertible Debentures. See “Item 5. Operating and Financial Review and Prospects–B. Liquidity and Capital Resources–Convertible Debentures” for more information. The full text of the Second Supplemental Convertible Debenture Indenture is incorporated herein by reference to Exhibit 99.1 of the Company’s report on Form 6-K filed with the SEC on May 28, 2020.
- First Supplemental Convertible Debenture Indenture dated June 21, 2019 between the Company and Computershare, permitting the issuance of debentures, notes or other evidences of indebtedness of the Company, including the Convertible Debentures. See “Item 5. Operating and Financial Review and Prospects–B. Liquidity and Capital Resources–Convertible Debentures” for more information. The full text of the First Supplemental Convertible Debenture Indenture is incorporated herein by reference to Exhibit 99.33 of the Company’s report on Form 6-K/A filed with the SEC on July 3, 2019.
- Amended and Restated Subordination Agreement dated May 27, 2020 between the Company, Computershare and DB FSLF 50 LLC, pursuant to which the security granted to Computershare on behalf of holders of Convertible Debentures, securing the debt owing under the Convertible Debentures, is subordinated and postponed to the security granted to DB FSLF 50 LLC. The full text of the Convertible Debenture Indenture is incorporated herein by reference to Exhibit 99.1 of the Company’s report on Form 6-K filed with the SEC on May 28, 2020.

D. Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws of Canada or exchange restrictions affecting the remittance of dividends, interest, royalties or similar payments to non-resident holders of Mogo’s securities, although there may be Canadian and other foreign tax considerations. See “—E. Taxation”.

E. Taxation

Certain Canadian Federal Income Tax Information for Non-Canadian Holders

The following summarizes the principal Canadian federal income tax considerations generally applicable to the holding and disposition of our common shares by a beneficial owner of common shares who, for the purposes of the Income Tax Act (Canada) and the regulations thereto (the “**Tax Act**”), and at all relevant times, (1) is not, and is not deemed to be, resident in Canada, (2) deals at arm’s length with and is not affiliated with us, (3) holds such shares as capital property and does not use or hold, and is not deemed to use or hold, such shares in the course of carrying on, or otherwise in connection with, a business in Canada and (4) has not entered into and will not enter into, with respect to the common shares a “derivative forward agreement” as that term is defined in the Tax Act (hereinafter, a “**Non-Canadian Holder**”). Special rules, which are not discussed in this summary, apply to a Non-Canadian Holder that is an insurer carrying on an insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act, the Canada-United States Tax Convention (1980), as amended, or the Treaty, all proposed amendments to the Tax Act and the Treaty publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”). It has been assumed that all such proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative policy or assessing practice, whether by legislative, administrative or judicial action, although no assurances can be given in this respect. This summary does not take into account Canadian provincial, U.S. federal, state or other foreign income tax law or practice.

Subject to certain exceptions that are not discussed in this summary, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of common shares must be determined in Canadian dollars based on the rate of exchange quoted by the Bank of Canada on the date such amount first arose or such other rate of exchange as may be acceptable to CRA.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, holders of common shares are urged to consult their own tax advisors having regard to their own particular circumstances.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Canadian Holder by us will be subject to Canadian withholding tax. The Tax Act imposes withholding tax at a rate of 25%, although such rate may be reduced by virtue of an applicable tax treaty. For example, under the Treaty, where dividends on the common shares are considered to be paid to a Non-Canadian Holder that is the beneficial owner of the dividends and is a U.S. resident for the purposes of, and is entitled to all of the benefits of, the Treaty, or a qualifying person, the applicable rate of Canadian withholding tax is generally reduced to 15% (or to 5% if such Non-Canadian Holder is a qualifying person that is a company that for purposes of Article X(2)(a) of the Treaty owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the Non-Canadian Holder’s account. A disposition of common shares to us may in certain circumstances result in a deemed dividend.

Disposition

A Non-Canadian Holder will not be subject to Canadian tax under the Tax Act on a capital gain realized on a disposition or deemed disposition of our common shares unless, at the time of disposition, such common shares constitute “taxable Canadian property” to the Non-Canadian Holder for the purposes of the Tax Act and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident.

If a common share is listed on a designated stock exchange (which includes the TSX and NASDAQ) at the time it is disposed of, such common share will generally not constitute “taxable Canadian property” to a Non-Canadian Holder unless, at that time or at any particular time within the preceding 60 months,

- 25% or more of the issued shares of any class or series of our capital stock was owned by one or any combination of (1) the Non-Canadian Holder, (2) persons with whom the Non-Canadian Holder did not deal with at “arm’s length” (within the meaning of the Tax Act), and (3) partnerships in which the Non-Canadian Holder or a person described in (2) holds a membership directly or indirectly through one or more partnerships, and
- more than 50% of the fair market value of the common share was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Tax Act), “timber resource properties” (as defined in the Tax Act), and options in respect of, or interests in, or for civil law rights in, any such foregoing properties, whether or not such properties exist.

If a common share is taxable Canadian property to a Non-Canadian Holder that is a qualifying person, any capital gain realized on a disposition or deemed disposition of such share will nevertheless generally not be subject to Canadian federal income tax by virtue of the Treaty if the value of the common share at the time of the disposition or deemed disposition is not derived principally from “real property situated in Canada” for purposes of the Treaty.

A Non-Canadian Holder whose shares may constitute taxable Canadian property is urged to consult with the Non- Canadian Holder’s own tax advisors.

United States Federal Income Tax Consequences

The following is a general summary of certain material U.S. federal income tax considerations relevant to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Except as discussed below, this summary does not discuss applicable income tax reporting requirements. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non U.S. tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership, and disposition of common shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the “IRS”) has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities upon which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "**U.S. Holder**" means a beneficial owner of common shares acquired pursuant to this Form 20-F that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons has the authority to make all substantial decisions of the trust or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a "**non-U.S. Holder**" is a beneficial owner of common shares that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership, and disposition of common shares. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of common shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); or (h) U.S. Holders that own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and non-U.S. tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such partnership generally will depend on the activities of the partnership and the status of such partners. This summary does not address the tax consequences to any such owner. Partners of entities or arrangements that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

Ownership and Disposition of Common Shares

The following discussion is subject in its entirety to the rules described below under the heading "Passive Foreign Investment Company Rules."

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian or foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the common shares and thereafter as gain from the sale or exchange of such common shares (see "Sale or Other Taxable Disposition of Common Shares" below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares generally will not be eligible for the "dividends received deduction" available to U.S. corporate shareholders receiving dividends from U.S. corporations.

Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada - U.S. Tax Convention or the common shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of common shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such common shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of non-corporate U.S. Holders. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code. A U.S. Holder's tax basis in common shares generally will be such U.S. Holder's U.S. dollar cost for such common shares.

Passive Foreign Investment Company Rule

Based on the projected composition of our income and valuation of our assets, including goodwill, we believe that we are a PFIC for United States federal income tax purposes for the 2017 taxable year and that we are likely to be a PFIC for the 2018 taxable year. The determination of whether we will continue as a PFIC is made annually.

- In general, we will be a PFIC for any taxable year in which:
 - at least 75% of our gross income is passive income, or
 - at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For purposes of the PFIC provisions, "gross income" generally includes sales revenues less cost of goods sold, plus income from investments and from incidental or outside operations or sources and "passive income" generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

If we are a PFIC for any taxable year during which a U.S. Holder holds our common shares, the U.S. Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of our common shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder's holding period for the common shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated rateably over a U.S. Holder's holding period for our common shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

U.S. Holders will be required to file IRS Form 8621 if they hold our common shares in any year in which we are classified as a PFIC.

If we are a PFIC for any year during which a U.S. Holder holds common shares, we will generally continue to be treated as a PFIC with respect to such holder for all subsequent years during which such common shares continue to be held, even if we cease to meet the threshold requirements for PFIC status. U.S. Holders should consult with their own tax advisors regarding the availability of a “deemed sale” election that in certain circumstances would allow such holder to terminate PFIC status with respect to such common shares.

If we are a PFIC for any taxable year during which a U.S. Holder holds our common shares and any of our non-U.S. subsidiaries is also a PFIC, or a lower-tier PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules on (i) excess distributions by the lower-tier PFIC, and (ii) a disposition of shares of a lower-tier PFIC, in each case as if the U.S. Holder held such shares directly, even though the holders have not received the proceeds of those distributions or dispositions directly. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any of our subsidiaries.

In lieu of being subject to the excess distribution rules discussed above with respect to our common shares (but not with respect to any lower-tier PFIC), a U.S. Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Our common shares will be treated as “regularly traded” in any calendar year in which more than a de minimis quantity of such shares are traded on a qualified exchange on at least 15 days during each calendar quarter of such year. NASDAQ, on which the common shares are traded, is a qualified exchange for this purpose.

If a U.S. Holder makes an effective mark-to-market election, it will include in each year we are a PFIC as ordinary income the excess of the fair market value of such U.S. Holder’s common shares at the end of the year over the U.S. Holder’s adjusted tax basis in the common shares. A U.S. Holder will be entitled to deduct as an ordinary loss in each such year the excess of the U.S. Holder’s adjusted tax basis in the common shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, any gain the U.S. Holder recognizes upon the sale or other disposition of its common shares of in a year that we are a PFIC we will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

A U.S. Holder’s adjusted tax basis in its common shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years that we are a PFIC unless the common shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

Alternatively, a U.S. Holder may avoid the rules described above by electing to treat us (and any lower-tier PFIC) as a “qualified electing fund,” or QEF, under Section 1295 of the Code. A QEF election requires a U.S. Holder to include currently in income each year its pro rata share of a PFIC’s ordinary earnings and net capital gains, regardless of whether or not such ordinary earnings and gains are actually distributed. Thus, a U.S. Holder could have a tax liability with respect to such ordinary earnings or gains without a corresponding receipt of cash. A U.S. Holder’s basis in the shares of a QEF will be increased to reflect the amount of the taxed but undistributed income. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in the shares and will not be taxed again as a distribution to the U.S. Holder. In addition, a U.S. Holder will recognize capital gain or loss on the disposition of common shares in an amount equal to the difference between the amount realized and the holder’s adjusted tax basis in the common shares. To make a QEF election, a U.S. Holder will need to have an annual information statement from the PFIC setting forth the earnings and capital gains for the year. U.S. Holders should consult their own tax advisors as to the consequences of making a protective QEF election or other consequences of the QEF election. Upon request of a U.S. Holder, we will provide the information necessary for a U.S. Holder to make the QEF election. However, no assurance can be given that such QEF information will be available for any lower-tier PFIC that we do not control. U.S. Holders are urged to consult their tax advisors concerning the United States federal income tax consequences of holding our common shares if we are considered a PFIC in any taxable year.

Additional Considerations

Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on “net investment income” including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). Special rules apply to PFICs. U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of common shares.

Receipt of Foreign Currency

The amount of any distribution paid in Canadian dollars to a U.S. Holder in connection with the ownership of the common shares, or on the sale, exchange or other taxable disposition of common shares, will be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the payment, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the common shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Special rules apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, non-U.S. taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complex, and a U.S. Holder should consult its own tax advisor regarding their application to the U.S. Holder.

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a non-U.S. corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of "specified foreign financial assets" includes not only financial accounts maintained in foreign financial institutions, but also, if held for investment and not in an account maintained by certain financial institutions, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns on IRS Form 8938, and, if applicable, filing obligations relating to the PFIC rules, including possible reporting on IRS Form 8621.

Payments made within the U.S. or by a U.S. payor or U.S. middleman of (a) distributions on the common shares, and (b) proceeds arising from the sale or other taxable disposition of common shares generally will be subject to information reporting. In addition, backup withholding, currently at a rate of 24% for the 2018 to 2025 tax years (increasing to 28% for tax years after 2025), may apply to such payments if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding. Certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. The information reporting and backup withholding rules may apply even if, under the Canada-U.S. Tax Convention, payments are exempt from the dividend withholding tax or otherwise eligible for a reduced withholding rate.

This discussion of reporting requirements set forth above is not intended to constitute an exhaustive description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirements. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL U.S. TAX CONSIDERATIONS APPLICABLE TO U.S. HOLDERS WITH RESPECT TO THE OWNERSHIP AND DISPOSITION OF COMMON SHARES. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSIDERATIONS APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

Any statement in this annual report on Form 20-F about any of our contracts or other documents is not exhaustive. If the contract or document is filed as an exhibit to this annual report on Form 20-F or is incorporated herein by reference thereto, the contract or document is deemed to modify our description. You must review the exhibits themselves for a complete description of the contract or document. This means that we can disclose important information to you by referring you to a document included as an exhibit or another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

You may access this annual report on Form 20-F, including exhibits and schedules, on our website at www.mogo.ca or request a copy by email to Legal@mogo.ca. You may also read and copy reports, statements or other information that we file with or furnish to the SEC, including exhibits and schedules filed with this annual report on Form 20-F at the SEC's public reference facilities in Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. You may access the documents we file with or furnish to the SEC at that website. These SEC filings are also available to the public from commercial document retrieval services.

We also file reports, statements and other information with the CSA through SEDAR, and these can be accessed electronically at www.sedar.com.

You may access other information about Mogo on our website at www.mogo.ca.

Information provided on our website is not part of this report, and is not incorporated herein by reference unless otherwise specifically referenced as such in this report.

I. Subsidiary Information

Not applicable.

ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from changes in market rates and market prices. Our market risk exposure results primarily from fluctuations in foreign currency exchange rates and interest rates.

We do not hold financial instruments for speculative trading purposes.

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 U.S. dollars:

	December 31, 2019	December 31, 2018	December 31, 2017
Cash	322	874	171
Investment portfolio	5,080	-	-
Debentures	5,020	4,770	4,770

A 5% increase or decrease in the U.S. dollar exchange rate would increase or decrease the unrealized exchange gain (loss) by \$10.

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 fluctuating with LIBOR. The credit facilities have a LIBOR floor of 1.5% & 2.0% for Credit Facility – Liquid and Credit Facility – Other, respectively. As at December 31, 2019, LIBOR is 1.74% (December 31, 2018 – 2.50%). A 0.50 basis point increase in LIBOR would increase annual credit facility interest expense by \$0.5 million. With the sale of the MogoLiquid Portfolio, the Company reduced its overall exposure to interest rate risk in the first quarter of 2020.

The debentures and convertible debentures have fixed rates of interest and are not subject to interest rate risk.

ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**A. Debt Securities**

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

None.

PART II

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A.-B. Modifications to Rights of Security Holders

Holders of the Convertible Debentures rights have been modified pursuant to the Subordination Agreement, pursuant to which the debt owing under the Convertible Debentures, is subordinated and postponed to the security granted to Fortress securing the debt owing under the Credit Facility – Liquid. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Convertible Debentures” for more information.

C.-E.

Not applicable

ITEM 15: CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

Our management, with the participation of our CEO and CFO, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosures.

B. Management's Annual Report on Internal Control over Financial Reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

C. Attestation Report of the Registered Public Accounting Firm

Not applicable.

D. Changes in Internal Controls

Management has evaluated, with the participation of our CEO and CFO, whether any changes in our internal control over financial reporting that occurred during our last fiscal year have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, management has implemented additional internal controls over financial reporting related to assets acquired as a result of the Arrangement.

ITEM 16: [RESERVED]

A. Audit Committee Financial Expert

The Board has considered the extensive financial experience of Mr. Mohamed, Mr. Van Winters and Mr. Wekerle and has determined that each is (i) financially literate in accordance with NI 52-110 and Rule 10A-3 under the Exchange Act, and (ii) an independent director as that term is defined by the applicable Canadian and SEC rules and in the NASDAQ Stock Market Rules.

Specifically, for the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. Additionally, at least one member of the Audit Committee must be an "audit committee financial expert" as defined by the SEC. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues. See "Item 6. Directors, Senior Management and Employees – A. Directors and Senior Management" for the education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee.

B. Code of Ethics

Mogo has adopted a Code of Business Conduct and Ethics that applies to all officers, employees, contractors, and members of the Board (the "**Code of Conduct**") that complies with NASDAQ Stock Market Rules. The Code of Conduct includes, among other things, written standards for the Company's principal executive officer, principal financial officer and principal accounting officer or controller, or persons performing similar functions, which are required by the SEC for a code of ethics applicable to such officers. A copy of the Code of Conduct can be accessed electronically at <https://investors.mogo.ca/corporate-governance>.

C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by MNP LLP in 2018, and MNP LLP and KPMG LLP in 2019, for the periods indicated. We did not pay any other fees to our auditors during the periods indicated below.

	Year ended December 31, 2019	Year ended December 31, 2018
Audit Fees ¹	\$ 923,436	\$ 183,187
Audit Related Fees ²	\$ 13,515	\$ 15,036
Tax Fees ³	\$ 34,518	\$ 38,446
All Other Fees ⁴	\$ 35,390	\$ 11,083
Total Fees Paid	\$ 1,006,859	\$ 247,752

- (1) "Audit fees" means the aggregate fees billed for professional services rendered by our principal auditors for the annual audit of our consolidated financial statements.
- (2) "Audit related fees" represents the aggregate fees billed for assurance and related services by our principal auditors that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported as audit fees. These include professional services rendered in connection with credit facility covenants and frontline controls audit in connection with our customer experience centre.
- (3) "Tax fees" of 2019 and 2018 were for services rendered by our principal accountants for tax compliance, tax advice and tax planning.
- (4) "All other fees" refers to the routine consulting services.

Under its charter, the Audit Committee is required to pre-approve all audit and non-audit services to be performed by the external auditors in relation to the Company, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services or routine advisory work as required by management during the year. The Audit Committee is also required to approve the engagement letter for all non-audit services and estimated fees thereof, other than those for de minimis services or routine advisory work as required by management during the year. The pre-approval process for non-audit services will also involve a consideration of the potential impact of such services on the independence of the external auditors. The Audit Committee has also established an External Auditor Hiring Policy.

D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Not applicable.

F. Change in Registrant's Certifying Accountant.

Not applicable.

G. Corporate Governance.

As a British Columbia corporation listed on NASDAQ, we are not required to comply with certain NASDAQ corporate governance standards. Section 5615(a)(3) of the NASDAQ Stock Market Rules permits NASDAQ to grant exemptions to a foreign private issuer for certain provisions of the Rule 5600 series, Rule 5250(b)(3) and Rule 5250(d). We are organized under the laws of British Columbia, Canada and our common shares are listed for trading on the TSX. We comply with the applicable laws of Canada and rules and regulations of the TSX, including rules related to corporate governance practices. A description of the significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies pursuant to the NASDAQ Stock Market Rules is as follows:

Shareholder Meeting Quorum Requirement

The NASDAQ minimum quorum requirement for a shareholder meeting under Section 5620(c) of the NASDAQ Stock Market Rules is one-third of the outstanding shares of common voting stock. In addition, a company listed on NASDAQ is required to state a quorum requirement in its by-laws. Our quorum requirement is set forth in our articles. A quorum for our shareholder meeting is two persons, who are, or who represent by proxy, shareholders who, in the aggregate hold at least 25% of the issued shares of the Company entitled to be voted at the meeting (subject to the special rights or restrictions attached to the shares of any class or series of our shares).

Shareholder Approval Exemption

Section 5635 of the NASDAQ Stock Market Rules sets forth circumstances under which shareholder approval is required prior to certain types of security issuances. Pursuant to the NASDAQ Stock Market Rules, a company must receive prior shareholder approval for transactions involving: (1) the sale, issuance or potential issuance by a listed company of its common stock (or securities convertible into or exercisable for its common stock) (i) at a price less than the greater of book value or market value, and (ii) which together with sales by officers, directors, or substantial stockholders, is equal to 20% or more of the company's shares of common stock or 20% or more of the voting power outstanding before the issuance; or (2) the sale, issuance or potential issuance by a listed company of common stock (or securities convertible into or exercisable common stock) (i) at a price less than the greater of book value or market value, and (ii) is equal to 20% or more of the company's shares of common stock or 20% or more of the voting power outstanding before the issuance. In the event of an issuance meeting the criteria set forth above, we may not be required to seek prior shareholder approval under applicable Canadian law and the rules of the TSX, and, if that is the case, we will submit a certification to NASDAQ from independent Canadian counsel to such effect.

The foregoing is consistent with the applicable laws in Canada and the rules of the TSX.

H. Mine Safety Disclosure

Not applicable.

PART III**ITEM 17: FINANCIAL STATEMENTS**

Not applicable.

ITEM 18: FINANCIAL STATEMENTS

The following financial statements have been filed as part of this Annual Report:

	Page
Management's Report on Internal Control over Financial Reporting	N/A
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Statement of Financial Position as at December 31, 2019 and 2018	F-4
Consolidated Statement of Comprehensive Loss for the years ended December 31, 2019, 2018 and 2017	F-5
Consolidated Statement of Changes in Equity for the years ended December 31, 2019, 2018 and 2017	F-6
Consolidated Statement of Cash Flows for the years ended December 31, 2019, 2018 and 2017	F-7
Notes to the Consolidated Financial Statements	F-8



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Mogo Inc. (formerly Difference Capital Financial Inc.):

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Mogo Inc. and its subsidiaries (the Company) (formerly Difference Capital Financial Inc.) as of December 31, 2019, the related consolidated statements of operations and comprehensive loss, changes in equity (deficit), and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 3(p) to the consolidated financial statements, the Company adopted IFRS 16, *Leases* using the modified retrospective method, at January 1, 2019, the date of initial application.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

We have served as the Company's auditor since 2019.

Vancouver, Canada
March 26, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Mogo Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Mogo Inc. (the Company) as of December 31, 2018, and the related consolidated statements of comprehensive loss, shareholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018, and the results of its consolidated operations and its consolidated cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Change in Accounting Principles

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2018, the Company has changed its method of accounting for financial instruments due to the adoption of IFRS 9 *Financial Instruments* and has changed its method of accounting for revenues due to the adoption of IFRS 15 *Revenues*.



Chartered Professional Accountants

We served as the Company's auditor from 2010 to 2019.

Winnipeg, Manitoba

April 29, 2019



Mogo Inc.
Consolidated Statement of Financial Position
(Expressed in thousands of Canadian Dollars)

	Note	December 31, 2019	December 31, 2018 ⁽¹⁾
Assets			
Cash and cash equivalent		10,417	20,439
Loans receivable	5	88,655	86,347
Prepaid expenses, deposits and other assets	6	3,248	3,501
Investment portfolio	8	20,790	-
Deferred costs		137	273
Property and equipment	9	1,773	3,016
Right-of-use assets	12	4,821	-
Intangible assets	10	21,257	18,658
Total assets		151,098	132,234
Liabilities			
Accounts payable and accruals	11	11,254	9,454
Lease liabilities	12	5,208	-
Credit facilities	13	76,472	76,465
Debentures	14	44,039	42,156
Convertible debentures	15	12,373	11,889
Derivative financial liability	24(d)	-	964
Total liabilities		149,346	140,928
Shareholders' Equity (Deficit)			
Share capital	24(a)	94,500	75,045
Contributed surplus		8,861	7,045
Deficit		(101,609)	(90,784)
Total shareholders' equity (deficit)		1,752	(8,694)
Total equity and liabilities		151,098	132,234

(1) The consolidated statement of Financial position as at December 31, 2019 reflects the adoption of IFRS 16 on January 1, 2019. The comparative information has not been restated.

Approved on Behalf of the Board

Signed by "Greg Feller" _____, Director

Signed by "Minhas Mohamed" _____, Director

The accompanying notes are an integral part of these financial statements.

		<i>For the years ended December 31,</i>		
	Note	2019	2018⁽¹⁾	2017⁽¹⁾
Revenue				
Subscription and services	4,17	25,311	21,550	9,455
Interest revenue		34,494	26,889	18,571
Loan fees		-	8,111	17,522
		59,805	56,550	45,548
Cost of revenue				
Provision for loan losses, net of recoveries	5	18,162	16,367	11,409
Transaction costs		625	567	535
		18,787	16,934	11,944
Gross profit		41,018	39,616	33,604
Operating expenses				
Technology and development		14,989	15,028	11,660
Marketing		9,412	8,772	6,854
Customer service and operations		8,787	8,383	7,663
General and administration		11,484	11,661	10,334
Total operating expenses	18	44,672	43,844	36,511
Loss from operations		(3,654)	(4,228)	(2,907)
Other expenses (income)				
Credit facility interest expense	13	11,316	9,353	7,178
Debenture and other financing expense	7,12,13,14	8,471	8,036	7,503
Unrealized exchange (gain) loss		(296)	651	(379)
Change in fair value due to revaluation of derivative liability	24d	570	(1,733)	2,207
Gain on acquisition, net	21	(13,141)	-	-
Gain on investment portfolio	8	(294)	-	-
Unrealized gain on investment portfolio		(100)	-	-
Impairment of equipment	9	-	1,105	-
Other		645	382	313
		7,171	17,794	16,822
Net loss and comprehensive loss		(10,825)	(22,022)	(19,729)
Net loss per share				
Basic and fully diluted	19	(0.42)	(0.97)	(1.07)
Weighted average number of basic and fully diluted common shares (in 000's)		25,545	22,714	18,381

⁽¹⁾ The consolidated statement of operations and comprehensive loss for fiscal year 2019 reflects the adoption of IFRS 16 on January 1, 2019, and for fiscal year 2018 reflects the adoption of IFRS 9 on January 1, 2018. The comparative information has not been restated.

The accompanying notes are an integral part of these financial statements.

Mogo Inc.
Consolidated Statement of Changes in Equity (Deficit)
(Expressed in thousands of Canadian Dollars)

	Number of shares (000s)	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2016	18,280	\$ 45,655	\$ 3,945	\$ (43,898)	\$ 5,702
Loss and comprehensive loss	-	-	-	(19,729)	(19,729)
Shares issued, net	3,750	24,397	-	-	24,397
Shares issued – convertible debentures (Note 15)	142	814	-	-	814
Stock based compensation	-	-	1,343	-	1,343
Options exercised	62	250	(102)	-	148
Conversion of restricted share units (“RSUs”)	41	273	(273)	-	-
Equity component of convertible debentures	-	-	973	-	973
Amortization of warrants	-	-	147	-	147
Balance, December 31, 2017⁽¹⁾	22,275	71,389	6,033	(63,627)	13,795
	Number of shares (000s)	Share capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2017	22,275	\$ 71,389	\$ 6,033	\$ (63,627)	\$ 13,795
Impact of adopting IFRS 9 at January 1, 2018	-	-	-	(5,135)	(5,135)
Balance, January 1, 2018	22,275	71,389	6,033	(68,762)	8,660
Loss and comprehensive loss	-	-	-	(22,022)	(22,022)
Shares issued – convertible debentures (Note 15)	766	3,157	(132)	-	3,025
Share issuance costs	-	(38)	-	-	(38)
Stock based compensation	-	-	1,320	-	1,320
Options and restricted share units (“RSUs”) exercised	186	537	(226)	-	311
Amortization of warrants	-	-	50	-	50
Balance, December 31, 2018⁽¹⁾	23,227	75,045	7,045	(90,784)	(8,694)
	Number of shares (000s)	Share capital	Contributed surplus	Deficit	Total
Balance, December 31, 2018	23,227	\$ 75,045	\$ 7,045	\$ (90,784)	\$ (8,694)
Loss and comprehensive loss	-	-	-	(10,825)	(10,825)
Incremental share issuance – acquisition of Difference Capital Financial Inc. (Note 21)	3,176	14,867	-	-	14,867
Issuance of replacement stock-based awards – acquisition of Difference Capital Financial Inc. (Note 21)	-	-	682	-	682
Conversion of warrants (Note 24d)	337	1,534	-	-	1,534
Shares issued – convertible debentures (Note 15)	367	1,568	(19)	-	1,549
Stock based compensation	-	-	1,732	-	1,732
Options and restricted share units (“RSUs”) exercised	451	1,486	(716)	-	770
Amortization of warrants	-	-	137	-	137
Balance, December 31, 2019	27,558	94,500	8,861	(101,609)	1,752

⁽¹⁾ The consolidated statement of changes in equity (deficit) for the fiscal year 2019 reflects the adoption of IFRS 16 on January 1, 2019, and for the fiscal year 2018 reflects the adoption of IFRS 9 on January 1, 2018. The comparative information has not been restated.

The accompanying notes are an integral part of these financial statements.

Mogo Inc.
Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian Dollars)

		Years ended December 31,		
	Note	December 31, 2019	December 31, 2018 ⁽¹⁾	December 31, 2017 ⁽¹⁾
Cash provided by (used in) the following activities:				
Operating activities				
Net loss and comprehensive loss		(10,825)	(22,022)	(19,729)
Items not affecting cash:				
Depreciation and amortization		8,049	6,875	3,489
Post media warrant and setup fee expenses	24(d)	274	187	558
Gain on acquisition	21	(14,786)	-	-
Other		286	-	-
Impairment of equipment	9	-	1,105	118
Provision for loan losses	5	19,899	18,406	13,343
Credit facility and debenture interest expense		19,787	17,389	14,681
Stock based compensation expense		1,732	1,320	1,343
Unrealized loss (gain) on derivative liability		570	(1,733)	2,207
Unrealized foreign exchange (gain) loss		(296)	668	(403)
Unrealized gain on investment portfolio		(100)	-	-
		24,590	22,195	15,607
Changes in:				
Net issuance of loans receivable		(22,207)	(36,428)	(24,927)
Investment tax credits		-	343	(186)
Prepaid expenses, deposits and other assets	6	239	(1,824)	(462)
Accounts payable and accruals	11	(323)	1,412	1,474
Cash generated from operating activities		2,299	(14,302)	(8,494)
Interest paid		(17,509)	(14,901)	(12,864)
Net cash used in operating activities		(15,210)	(29,203)	(21,358)
Investing activities				
Purchases of property and equipment		(647)	(3,409)	(404)
Investment in intangible assets		(8,438)	(7,644)	(5,017)
Net cash used in investing activities		(9,085)	(11,053)	(5,421)
Financing activities				
Net proceeds from issuance of convertible debentures		-	-	13,528
Net proceeds from issuance of common shares		-	-	24,397
Cash acquired upon acquisition of Difference Capital Financial Inc.	21	10,246	-	-
Proceeds from sale of investment	8	2,114	-	-
Lease liabilities – principal payments		(833)	-	-
Net advances from debentures		2,201	1,410	-
Net advances from credit facilities		(225)	18,414	10,642
Cash payments on options exercised		770	311	148
Net cash provided by financing activities		14,273	20,135	48,715
Net decrease in cash				
		(10,022)	(20,121)	21,936
Cash and cash equivalent, beginning of year		20,439	40,560	18,624
Cash and cash equivalent, end of year		10,417	20,439	40,560

(1) The consolidated statement of cash flows for the years ended December 31, 2019 and December 31, 2018 reflects the adoption of IFRS 16 on January 1, 2019 and IFRS 9 on January 1, 2018. The comparative information has not been restated.

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Mogo Inc. (formerly Difference Capital Financial Inc.) ("Mogo" or the "Company") was continued under the Business Corporations Act (British Columbia) on June 21, 2019 in connection with the combination with Mogo Finance Technology Inc. ("Mogo Finance") as further described in Note 17. The transaction was accounted for as a business combination, with Mogo Finance as the accounting acquirer. Accordingly, these financial statements reflect the continuing financial statements of Mogo Finance.

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 ("TSX") and the Nasdaq Capital Market under the symbol "MOGO".

Mogo — a financial technology company — offers a finance app that empowers consumers with simple solutions to help them get in control of their financial wellness. Using the Mogo platform, users can sign up for a free account and begin to learn the 4 habits of financial health and get convenient access to products that can help them achieve their financial goals. With the marketing partnership with one of Canada's largest news media company, Mogo continues to execute on its vision of becoming the go-to financial app for the next generation of Canadians.

2. Basis of presentation**Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements were based on IFRS issued and outstanding at December 31, 2019.

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

These consolidated financial statements were authorized for issue by the Board of Directors (the "Board") on March 26, 2020.

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 which includes 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 considered the following: (i) cash flow projections of the Company, which incorporates a rolling forecast and detailed cash flow modeling through the current fiscal year, and (ii) the base of investors and debt lenders historically available to the Company. The expected cash flows have been modeled based on anticipated revenue and profit streams with debt programmed into the model. Refer to notes 11, 13, 14, 15 and 23 for details on amounts that may come due in the next 12 months.

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

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries functional currency.

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

The Company has consolidated the assets, liabilities, revenues and expenses of all its subsidiaries and its structured entity. The consolidated financial statements include the accounts of the Company, and its direct and indirect wholly-owned subsidiaries, Mogo Finance, Mogo Financial (Alberta) Inc., Mogo Financial (B.C.) Inc., Mogo Financial Inc., Mogo Financial (Ontario) Inc., Mogo Mortgage Technology Inc., Hornby Loan Brokers (Ottawa) Inc., Hornby Leasing Inc., Mogo Technology Inc. (a US subsidiary), Mogo Blockchain Technology Inc., Mogo Wealth Technology Inc., 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. and its special purpose entity, Mogo Finance Trust (the "Trust"). The financial statements of the subsidiaries and the Trust are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

An entity is consolidated if the Company concludes that it controls the entity. The following circumstances may indicate a relationship in which, in substance, Mogo controls and therefore consolidates the entity:

- The Company has power over the entity whereby the Company has the ability to direct the relevant activities (i.e., the activities that affect the entity's returns);
- The Company is exposed, or has rights, to variable returns from its involvement with the entity; and
- The Company has the ability to use its power over the entity to affect the amount of the entity's returns.

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the execution of a specific borrowing or lending transaction. An SPE is consolidated, if based on an evaluation of the substance of its relationship with the Company, and the SPE's risks and rewards, the Company concludes that it controls the SPE. Mogo's activities with respect to the Trust has resulted in the Company consolidating the Trust within these consolidated financial statements.

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

3. Significant accounting policies**(a) Revenue recognition**

Revenue is comprised of subscription and services, interest revenue and loan fees from our legacy short-term loan products, which were phased out in the third quarter of 2018.

For the year ended December 31, 2017, revenue was recognized under IAS 18, *Revenue*. The Company recognized interest income, loan fees, nonsufficient funds fees, and any other fees or charges permitted by applicable laws and pursuant to the agreement with the borrower. For short-term loans that the Company offered, loan fees were recognized when assessed to the customer. For line of credit accounts, interest was recognized during the period based upon the balance outstanding and the contractual interest rate, and fees were recognized when assessed to the customer. For installment loans, revenue was recognized on an effective interest basis over the term of the loan and fees were recognized when assessed to the customer. Non-sufficient funds fees were recognized when the underlying transactions had been completed and collection was reasonably assured. Mortgage brokerage commissions were recognized once the mortgage was funded by the third-party lender. Revenue from MogoSpend and MogoProtect were recognized when services were rendered. We recorded revenue on a net basis for those sales in which we had in substance acted as an agent or broker in the transaction.

On January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and 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. The adoption of this standard did not have any significant impact on the Company's consolidated financial statements.

For the years ended December 31, 2018 and 2019 the Company recognizes interest revenue, loan fees, nonsufficient funds fees, and any other fees or charges permitted by applicable laws and pursuant to the agreement with the borrower. We record revenue on a net basis for those sales in which we have in substance acted as an agent or broker in the transaction.

3. Significant accounting policies (Continued from previous page)

Subscription and services is comprised of MogoProtect subscriptions, MogoSpend revenue, MogoMortgage brokerage commissions, premium account revenues, loan protection premiums, MogoCrypto revenue, Bitcoin mining revenue, and other fees and charges. Subscription and services revenue is measured based on the consideration specified in a contract with customers. The Company recognizes revenue when control of the services are transferred to the customer.

Interest revenue represents interest on our long-term loan products. Our long-term loans fall into two categories: line of credit accounts and installment loans. For line of credit accounts, interest is recognized on an effective interest basis during the period, and fees are recognized when assessed to the customer. For installment loans, revenue is recognized on an effective interest basis over the term of the loan and fees are recognized when assessed to the customer.

In 2018, the Company, through a third-party hosting agreement, joined a Bitcoin mining pool that provided transaction verification services on the Bitcoin network. As there is no definitive guidance in IFRS for the accounting of digital currency mining activities, management has exercised judgement in determining this accounting treatment for the recognition of revenue from Bitcoin mining. The Company received Bitcoin as compensation for these services, which are recognized as revenue and measured at fair value ("FV") according to the spot price at the time they were mined. Bitcoin is considered earned upon the addition of a block to the Bitcoin blockchain at which time the economic benefit is received and can be reliably measured. The Company ceased its Bitcoin operation in June 2019.

For legacy short-term loans that the Company offered during 2017 and 2018, loan fees were recognized when assessed to the customer.

(b) Cost of revenue

Cost of revenue consists of provision for loan losses and transaction costs. Transaction costs are expenses that relate directly to the acquisition and processing of new customers (excluding marketing) and include expenses such as credit scoring fees, loan system transaction fees, and certain fees related to the MogoSpend and MogoProtect programs.

(c) Financial instruments

For the year ended December 31, 2017, financial instruments were within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*. Financial assets and liabilities were recognized when the Company became a party to the contractual provisions of the instrument. Financial assets were derecognized when the rights to receive cash flows from the assets had expired or had been transferred and the Company had transferred substantially all risks and rewards of ownership. Financial liabilities were derecognized when the obligation specified in the contract was discharged, cancelled or expired.

All financial instruments were measured at fair value on initial recognition. Measurement in subsequent periods depended on the instrument's classification. The Company had implemented the following classifications:

Cash consisted of cash on hand and demand deposits.

Loans receivable were classified as "loans and receivables" and were initially recognized at fair value. Loans receivable were subsequently measured at amortized cost using the effective interest method, less any allowance for loan losses.

Accounts payable and accruals, deferred revenue, credit facilities, debentures, and convertible debentures were classified as "other financial liabilities" and were initially recorded at fair value, net of any transaction costs incurred. Subsequently, these items were measured at amortized cost using the effective interest method.

Derivative financial liabilities were classified as "financial liabilities at fair value through profit or loss" and were initially and subsequently measured at fair value. The changes in fair value were recorded as a gain or loss in the consolidated statement of operations and comprehensive loss.

Financial assets were assessed at each reporting date to determine whether there was any objective evidence that they were impaired. A financial asset was considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset. An impairment loss was calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at their original effective interest rate.

3. Significant accounting policies (Continued from previous page)

The allowance for loan losses was a provision that was netted against gross loans receivable on the Company's consolidated statement of financial position. The allowance for loan losses provided for a portion of future charge offs that had not yet occurred within the portfolio of loans receivable that existed at the reporting date. It was determined by the Company using a standard calculation that considered i) the relative maturity of the loans within the portfolio, ii) the long-term expected charge off rates based on actual historical performance and iii) the long-term expected charge off pattern (timing) for a vintage of loans over their life based on actual historical performance. The allowance for loan losses essentially estimated the charge offs that were expected to occur over the subsequent six-month period for loans that existed as of the statement of financial position date. Loan balances which were delinquent greater than 180 days were written off against the allowance for loan losses.

Impairment losses were recognized in consolidated statement of operations and comprehensive loss. An impairment loss was reversed if the reversal could be related objectively to an event occurring after the impairment loss was recognized

On January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. This standard establishes new measurement categories for classifying financial assets, and new guidance in relation to impairment and hedge accounting. The new hedge accounting requirements have no material impact on the Company's consolidated financial statements.

For the years ended December 31, 2018 and 2019 financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of operations and comprehensive loss.

Classification and measurement of financial assets and financial liabilities

At initial recognition, the Company measures a financial asset at its fair value plus, and in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial liabilities are recognized initially at fair value and are classified as amortized cost or as fair value through profit or loss ("FVTPL"). A financial liability is classified as at FVTPL if it is classified as held-for trading, it is a derivative or it is designated as such on initial recognition.

The Company classifies its financial assets between those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and those to be measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

3. Significant accounting policies (Continued from previous page)

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company's financial instruments measured at amortized cost include cash and cash equivalents, loans receivable, accounts payable and accruals, credit facilities, debentures, and convertible debentures.

The Company's financial instruments measured at FVTPL include the investment portfolio and derivative instruments.

Realized gains or losses on the disposal of investments are determined based on the weighted average cost. Unrealized gains or losses on investments derivative instruments are determined based on the change in fair value at each reporting period. Interest income is recorded on an accrual basis.

Impairment of financial assetsExpected credit loss model

The expected credit loss ("ECL") model is a three-stage impairment approach used to measure the allowance for loan losses on loans receivable at each reporting period date. Loans are classified under one of three stages based on changes in credit quality since initial recognition. Stage 1 loans consist of performing loans that have not had a significant increase in credit risk since initial recognition. Loans that have experienced a significant increase in credit risk since initial recognition are classified as Stage 2, and loans considered to be credit-impaired are classified as Stage 3. The Company routinely refinances its existing customers, and accordingly, does not consider a modification to be an indicator of increased credit risk. The allowance for loan losses on both Stage 2 and Stage 3 loans is measured at lifetime ECLs. The allowance for loan losses on Stage 1 loans is measured at an amount equal to 12-month ECLs, representing the portion of lifetime ECLs expected to result from default events possible within 12 months of the reporting date.

Assessment of significant increase in credit risk

Significant increases in credit risk are assessed based on changes in probability of default of loans receivable subsequent to initial recognition. The Company uses past due information to determine whether credit risk has increased significantly since initial recognition. Loans receivable are considered to have experienced a significant increase in credit risk and are reclassified to Stage 2 if a contractual payment is more than 30 days past due as at the reporting date.

The Company defines default as the earlier of when a contractual loan payment is more than 90 days past due or when a loan becomes insolvent as a result of customer bankruptcy. Loans that have experienced a default event are considered to be credit-impaired and are reclassified as Stage 3 loans.

Measurement of expected credit losses

ECLs are measured as the calculated expected value of cash shortfalls over the remaining life of a loan receivable, using a probability-weighted approach that reflects reasonable and supportable information about historical loss rates, post-charge off recoveries, current conditions and forward-looking indicators such as bank rates and unemployment rates. The measurement of ECLs primarily involves using this information to determine both the expected probability of a default event occurring and expected losses resulting from such default events. Loans are grouped according to product type, customer tenure and aging for the purpose of assessing ECLs. Historical loss rates and probability weights are re-assessed quarterly and subject to management review.

3. Significant accounting policies *(Continued from previous page)*
(d) Property and equipment

All property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

All assets having limited useful lives are depreciated using the declining balance method at rates intended to depreciate the cost of assets over their estimated useful lives except leasehold improvements, which are depreciated straight line over the term of lease.

The depreciation rate for each class of asset during the current and comparative period are as follows:

	Rate
Computer equipment	30%
Computer equipment – Bitcoin rigs	75%
Furniture and fixtures	20%
Leasehold improvements	Term of lease

The useful lives of items of property and equipment are reviewed periodically, and the useful life is altered if estimates have changed significantly.

(e) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. Intangible assets include both internally generated and acquired software with finite useful lives. Internally generated software costs primarily consist of salaries and payroll-related costs for employees directly involved in the development efforts and fees paid to outside consultants. Amortization is recorded at rates intended to amortize the cost of the intangible assets over their estimated useful lives as follows:

	Rate
Software - Internally generated	5 years straight line
Software - Acquired	30% declining balance

Development costs, including those related to the development of software, are recognized as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. During the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified. The Company has identified its intangible asset, the digital platform, as one CGU for the purpose of assessing impairment as synergies are realized between its digital products such that the products cannot be considered in isolation. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

3. Significant accounting policies (Continued from previous page)

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized in the consolidated statement of operations and comprehensive loss.

(f) Foreign currencies

Transactions in foreign currencies are initially recorded at the foreign currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the Company at the rates prevailing on the reporting date. The Company has no subsidiaries or foreign operations with a functional currency other than Canadian dollars.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates in effect at the date of the reporting period.

(g) Income taxes

Income tax expense is comprised of current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(h) Investment tax credits

The benefits of investment tax credits for scientific research and development expenditures are recognized in the year the qualifying expenditure is made, providing there is reasonable assurance of recovery.

(i) Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of amounts receivable or accounts payable and accrued liabilities in the consolidated statement of financial position.

(j) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation that is the result of a past event, when it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risk specific to the obligation.

3. Significant accounting policies (Continued from previous page)**(k) Earnings per share**

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in a similar way to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options or warrants, or conversion of convertible debentures, if dilutive.

(l) Share-based payments

The Company measures equity settled stock options granted to directors, officers, employees and consultants based on their fair value at the grant date and recognizes compensation expense over the vesting period. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option or warrant, the expected volatility of the Company's shares, the expected life of the options or warrants, and the risk-free rate of return. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate.

For each restricted share unit ("RSU") granted to directors, officers and employees, compensation expense 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.

Share-based payment arrangements with non-employees in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payments transactions. The share-based payments are measured based on the fair value of the goods or services received if the fair value can be reliably measured. Otherwise, the share-based payments are measured based on the fair value of the share-based awards using the expected life, risk free interest rate, volatility, and fair value of the underlying equity instrument at the time the goods or services are received.

For each restricted share unit ("RSU") granted, compensation expense 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.

(m) Business combination

The Company uses acquisition method of accounting for its business combination. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on purchase is recognized in profit or loss immediately. Transaction cost are expenses as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognized in statement of operations and comprehensive loss.

Share-based payment awards (replacement awards) are required to be exchanged for awards held by acquiree's employees, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market based measure of the acquiree's awards and the extent to which the replacement awards related to pre-acquisition services

(n) Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

3. Significant accounting policies (Continued from previous page)**(o) Significant accounting judgements, estimates and assumptions**

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amount of assets and liabilities, and the reported amount of revenues and expenses during the year. Actual results may differ from these estimates.

Estimates, assumptions, and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on a prospective basis beginning from the period in which they are revised.

Significant accounting judgements

The following are the critical judgements, apart from those involving estimations that have been made in the process of applying the Company's accounting policies, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Capitalization of intangible assets

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

Expected credits losses

In applying its accounting policy for the expected credit loss model the Company applies judgment in defining significant increase in credit losses, defaults, and its write-offs policy. Refer to note 5 for further details.

Significant accounting estimates and assumptions

These estimates and assumptions are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances.

These estimates and assumptions are reviewed periodically, and the effect of a change in accounting estimate or assumption is recognized prospectively by including it in the consolidated statement of operations and comprehensive loss in the period of the change and in any future periods affected.

The areas where estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

(i) Useful life of property and equipment and intangible assets and asset impairment

Estimated useful lives of property and equipment and intangible assets are based on management's judgment and experience.

When management identifies that the actual useful lives for these assets differ materially from the estimates used to calculate depreciation and amortization, that change is adjusted prospectively. Due to the significant investment in intangible assets by the Company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives, depreciation and amortization methods, and residual values are reviewed at the end of each reporting period.

The Company at the end of each reporting period assesses the recoverability of values assigned to property and equipment and intangible assets after considering potential impairment indicated by such factors as significant changes in technological, market, economic or legal environment, business and market trends, future prospects, current market value and other economic factors. If there is any indication in performing its review of recoverability, management estimates either the value in use or fair value less costs to sell.

3. Significant accounting policies (Continued from previous page)

(ii) Allowance for loan losses

Our provision for loan losses consists of amounts charged to the consolidated statement of operations and comprehensive loss during the period to maintain an adequate allowance for loan losses. Our allowance for loan losses represents our estimate of the expected credit losses inherent in our existing loan portfolio and is based on a variety of factors, including the composition and quality of the portfolio, loan-specific information gathered through our collection efforts, delinquency levels, our historical charge-off and loss experience, our expectations of future loan performance, and general forward-looking macroeconomic conditions. The methodology and assumptions used in setting the loan loss allowance are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

(iii) Fair value of share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of equity-settled stock options. Management exercises judgment in determining certain inputs to this model including the expected life of the options, expected volatility and forfeiture rates, and expected dividend yield. Variation in actual results for any of these inputs will result in a different fair value of the stock option as compared to the original estimate.

(iv) Fair value of privately held investments:

Estimating fair value requires that significant judgment be applied to each individual investment. For privately held investments, the fair value of each investment is measured using the most appropriate valuation methodology or combination of methodologies in the judgment of management in light of the specific nature, facts and circumstances surrounding that investment. This may take into consideration, but not be limited to, one or more of the following: valuations of recent or in-progress funding rounds, forward revenue and earnings projections, comparable peer valuation multiples, and the initial cost base of the investment. Actual results could differ significantly from these estimates.

(p) New and amended standards and interpretations

Commencing January 1, 2019, the Company applied for the first time, IFRS 16, *Leases*. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Certain other IFRS amendments and interpretations became effective on January 1, 2019, but do not have an impact on the consolidated financial statements of the Company. The Company has not adopted any standards or interpretations that have been issued but are not yet effective.

Summary of IFRS 16 adoption with new accounting policies and significant judgments:

(i) IFRS 16, Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, and other related Standard Interpretations Committee ("SIC") interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The lessor will continue to classify any leases as either an operating or finance lease using similar principles as IAS 17. Therefore, IFRS 16 did not have any material impacts for leases where the Company is the lessor.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to property leases, which had previously been classified as 'operating leases' under the principal of IAS 17. As of January 1, 2019, these liabilities were measured at the present value of the remaining lease payments discounted at 6%, which reflects the lessee's incremental borrowing rate to finance the purchase of similar property. The Company has applied IFRS 16 using the modified retrospective approach, whereby the cumulative effect of adopting IFRS 16, if any, is recognized as an adjustment to opening retained earnings as at January 1, 2019, with no restatement of comparative information. Under this method, using the practical expedient available the Company has recognized the right of use assets equal to the lease liabilities less any lease incentives received.

3. Significant accounting policies (Continued from previous page)

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments disclosed as at December 31, 2018	2,362
Less: operating costs	(872)
Lease component	1,490
Incremental borrowing rate as at January 1, 2019	6.0%
Discounted operating lease commitments at January 1, 2019	1,372
Add:	
Lease liabilities recognized as at the date of initial application	3,322
Lease liabilities recognized as at January 1, 2019	4,694

The additional \$3,322 of lease liabilities recognized represent lease payments arising from lease extension options for which the Company has no contractual commitment to exercise but is reasonably certain to do so.

The right-of-use assets associated with these property leases were initially measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognized in the consolidated statement of financial position as at December 31, 2018.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessments previously made in applying IAS 17 and IFRIC 4.

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of \$4,352 were recognized and presented separately in the consolidated statement of financial position.
- Lease liabilities of \$4,694 were recognized and presented separately in the consolidated statement of financial position.
- Lease inducements of \$223 related to previous operating leases were derecognized.

Summary of new accounting policies

The Company has adopted the following new accounting policies upon implementation of IFRS 16 on January 1, 2019:

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the lease term. Right-of-use assets are subject to evaluation of potential impairment.

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

The Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments). Variable payments are recorded in general and administration expenses as incurred.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expenses in the period incurred.

Summary of new significant judgments*Determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its agreements to lease the assets for additional terms of one to ten years. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew, including the consideration of all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew. The Company included the renewal period as part of the lease term for substantially all its property leases due to the significance of these assets to its operations.

4. Recast of Prior Period Amounts

During 2019, the Company changed its presentation of loan protection revenue and associated costs. Historically, the Company presented costs associated with loan protection as part of transaction costs. Under the new presentation, the Company is presenting revenue net of expenses. This results in a decrease in revenue and a corresponding decrease in transaction costs by \$4,628 in 2019, \$4,727 in 2018, and \$3,133 in 2017. The changes to the presentation of loan protection revenue and associated costs did not have an impact on the Company's gross profit.

As well, to conform to current year presentation, certain amounts historically presented as transaction costs but are not incremental to earning revenue have been reclassified to operating expenses.

There is no impact on net loss and comprehensive loss and the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows remain unchanged as a result of this recast.

4. Recast of Prior Period Amounts (Continued from previous page)

The impact of the changes to the presentation of revenue is as follows:

	2018 (Previously reported)	Loan protection recast	Other recast	2018 (Revised)
Total revenue	61,277	(4,727)	-	56,550
Cost of revenue	(22,426)	4,727	765	(16,934)
Gross profit	38,851	-	765	39,616
Operating expenses				
Technology and development	14,747	-	281	15,028
Marketing	8,772	-	-	8,772
Customer service and operations	8,383	-	-	8,383
General and administration	11,177	-	484	11,661
Total operating Expenses	43,079	-	765	43,844
Loss from operations	(4,228)	-	-	(4,228)
	2017 (Previously reported)	Loan protection recast	Other recast	2017 (Revised)
Total revenue	48,681	(3,133)	-	45,548
Cost of revenue	(15,872)	3,133	795	(11,944)
Gross profit	32,809	-	795	33,604
Operating expenses				
Technology and development	11,373	-	287	11,660
Marketing	6,854	-	-	6,854
Customer service and operations	7,663	-	-	7,663
General and administration	9,826	-	508	10,334
Total operating Expenses	35,716	-	795	36,511
Loss from operations	(2,907)	-	-	(2,907)

5. Loans receivable

Loans receivable represent unsecured installment loans and lines of credit advanced to customers in the normal course of business. Current loans are defined as loans to customers with terms of one year or less, while non-current loans are those with terms exceeding one year. The Company phased out its legacy short-term loan products from its business in 2018. The breakdown of the Company's gross loans receivable as at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
Current	69,949	62,439
Non-Current	34,726	39,317
	104,675	101,756

The following table provides a breakdown of gross loans receivable and allowance for loan losses by aging bucket, which represents our assessment of credit risk exposure and by their IFRS 9 ECL measurement stage. The entire loan balance of a customer is aged in the same category as its oldest individual past due payment, to align with the stage groupings used in calculating the allowance for loan losses under IFRS 9:

As at December 31, 2019					
Risk Category	Days past due	Stage 1	Stage 2	Stage 3	Total
Strong	Not past due	87,910	-	-	87,910
Satisfactory	1-30 days past due	3,240	-	-	3,240
Lower risk	31-60 days past due	-	1,650	-	1,650
Higher risk	61-90 days past due	-	1,289	-	1,289
Non-performing	91+ days past due or bankrupt	-	-	10,586	10,586
	Gross loans receivable	91,150	2,939	10,586	104,675
	Allowance for loan losses	(7,477)	(1,784)	(6,759)	(16,020)
	Loans receivable, net	83,673	1,155	3,827	88,655
As at December 31, 2018					
Risk Category	Days past due	Stage 1	Stage 2	Stage 3	Total
Strong	Not past due	88,035	-	-	88,035
Satisfactory	1-30 days past due	3,097	-	-	3,097
Lower risk	31-60 days past due	-	1,838	-	1,838
Higher risk	61-90 days past due	-	1,240	-	1,240
Non-performing	91+ days past due or bankrupt	-	-	7,546	7,546
	Gross loans receivable	91,132	3,078	7,546	101,756
	Allowance for loan losses	(6,951)	(2,118)	(6,340)	(15,409)
	Loans receivable, net	84,181	960	1,206	86,347

5. Loans receivable (Continued from previous page)

The following tables show reconciliations from the opening to the closing balance of the loss allowance:

	As at December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2019	6,951	2,118	6,340	15,409
Gross loans originated	4,296	-	-	4,296
Principal payments	(2,536)	(449)	(912)	(3,897)
Re-measurement of allowance before transfers	523	(197)	(20)	306
Re-measurement of amounts transferred between stages	(84)	1,528	17,750	19,194
Transfer to (from)				
Stage 1 – 12 month ECLs	96	(76)	(20)	-
Stage 2 - Lifetime ECLs	(238)	240	(2)	-
Stage 3 - Lifetime ECLs	(1,529)	(1,381)	2,910	-
Net amounts written off against allowance	-	-	(19,288)	(19,288)
Balance as at December 31, 2019	7,479	1,783	6,758	16,020

	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as at January 1, 2018	6,853	1,579	4,137	12,569
Gross loans originated	6,519	-	-	6,519
Principal payments	(2,999)	348	(1,084)	(3,735)
Re-measurement of allowance before transfers	(1,853)	(525)	(14)	(2,392)
Re-measurement of amounts transferred between stages	(34)	1,846	16,202	18,014
Transfer to (from)				
Stage 1 – 12 month ECLs	39	(24)	(15)	-
Stage 2 - Lifetime ECLs	(270)	270	-	-
Stage 3 - Lifetime ECLs	(1,303)	(1,377)	2,680	-
Net amounts written off against allowance	-	-	(15,566)	(15,566)
Balance as at December 31, 2018	6,952	2,117	6,340	15,409

The overall changes in the allowance for loan losses are summarized below:

	Year ended December 31, 2019	Year ended December 31, 2018
Allowance for loan losses		
Balance, beginning of period	15,409	7,434
January 1, 2018 IFRS 9 adjustment	-	5,135
Provision for loan losses	19,899	18,406
Charge offs	(19,288)	(15,566)
Balance, end of period	16,020	15,409

The provision for loan losses in the consolidated statement of operations and comprehensive loss is recorded net of recoveries of \$1,737 (2018- \$2,039).

6. Prepaid expenses, deposits and other assets

	2019	2018
Prepaid expenses	1,150	1,534
Deposits and other receivables	2,098	1,967
	3,248	3,501

7. Related party transactions

Related party transactions during the year ended December 31, 2019 include transactions with debenture holders that incur interest. The related party debentures balance as at December 31, 2019 totaled \$348 (December 31, 2018 – \$3,300) with principal amounts maturing on July 2, 2022, being the maturity date of the Credit Facility – Other (see note 13 for details). The debentures bear annual interest rates from 10.0% to 18.0% (December 31, 2018 – 12.0% to 18.0%) with interest expense of \$258 for the year ended December 31, 2019 (December 31, 2018 – \$538, December 31, 2017 - \$498). The related parties involved in such transactions include shareholders, officers, directors, and management, close members of their families, or entities which are directly or indirectly controlled by close members of their families. The debentures are ongoing contractual obligations that are used to fund our corporate and operational activities. These debentures are subordinated to the Credit Facility – Other (note 13c).

On June 28, 2019, the Company sold its minority interest in Wekerloo Developments Inc., which is majority-owned by one of the Company's directors, to an arms' length buyer for proceeds of \$2,100, equivalent to its initial cost recognized on the consolidated statement of financial position, resulting in no gain or loss on disposition.

Key management personnel

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

Aggregate compensation of KMP during the year consisted of:

	2019	2018
Salary and short-term benefits	1,554	2,087
Share – based payments	368	489
	1,922	2,576

8. Investment portfolio

Investments consist of the following by investment type:

	December 31, 2019	December 31, 2018
Equities	20,590	-
Partnership interests and others	200	-
	20,790	-

In 2019, the Company received cash proceeds of \$294 from its investment portfolio following the restructuring of certain debentures.

9. Property and equipment

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at December 31, 2017	2,337	1,500	2,509	6,346
Additions	3,814	2	-	3,816
Impairment	(1,105)	-	-	(1,105)
Balance at December 31, 2018	5,046	1,502	2,509	9,057
Additions	186	3	-	189
Disposals	(719)	(325)	-	(1,044)
Balance at December 31, 2019	4,513	1,180	2,509	8,202
Accumulated depreciation				
Balance at December 31, 2017	1,387	748	1,005	3,140
Depreciation	2,285	151	465	2,901
Balance at December 31, 2018	3,672	899	1,470	6,041
Depreciation	749	116	465	1,330
Disposals	(660)	(282)	-	(942)
Balance at December 31, 2019	3,761	733	1,935	6,429
Net book value				
At December 31, 2018	1,374	603	1,039	3,016
At December 31, 2019	752	447	574	1,773

During 2018, the Company recognized an impairment of \$1,105 on its bitcoin mining equipment. As of December 31, 2019, these assets have been fully amortized.

Depreciation of \$465 for the year ended December 31, 2019 (December 31, 2018 - \$465, December 31, 2017 - \$457) is included in general and administration expenses. Depreciation expense of \$865 for the year ended December 31, 2019 (December 31, 2018 - \$2,436, December 31, 2017 - \$525) for all other property and equipment is included in technology and development costs.

10. Intangible assets

	Internally generated – Completed	Internally generated – In Process	Acquired software licences	Total
Cost				
Balance at December 31, 2017	16,528	3,541	3,351	23,420
Additions	-	7,730	5	7,735
Transfers	10,373	(10,373)	-	-
Balance at December 31, 2018	26,901	898	3,356	31,155
Additions	-	8,438	-	8,438
Transfers	7,948	(7,948)	-	-
Balance at December 31, 2019	34,849	1,388	3,356	39,593
Accumulated depreciation				
Balance at December 31, 2017	5,491	-	3,032	8,523
Amortization	3,883	-	91	3,974
Balance at December 31, 2018	9,374	-	3,123	12,497
Amortization	5,764	-	75	5,839
Balance at December 31, 2019	15,138	-	3,198	18,336
Net book value				
At December 31, 2018	17,527	898	233	18,658
At December 31, 2019	19,711	1,388	158	21,257

Intangible assets include both internally generated and acquired software with finite useful lives. Amortization of intangible assets of \$5,839 for the year ended December 31, 2019 (December 31, 2018 – \$3,974, December 31, 2017 - \$2,506) is included in technology and development costs.

11. Accounts payable and accruals

	2019	2018
Trade payables	7,128	4,567
Accrued expenses	2,801	2,072
Accrued wages and other benefits	575	1,842
Others	750	973
	11,254	9,454

12. Leases

The Company has lease agreements for its office spaces. Leases generally have lease terms between 2 years to 5 years with an option to renew the lease after that date.

Information about leases for which the Company is a lessee is presented below:

Amount recognized in the consolidated statement of financial position:

Set out below are the carrying amounts of the Company's right-of-use assets recognized and the movements during the year ended December 31, 2019.

	Right-of-use assets (Leased Properties)
As at January 1, 2019	4,352
Modifications and renewals	1,228
Addition	121
Depreciation expense	(880)
As at December 31, 2019	4,821

Depreciation of right-of-use assets is included in general and administration expenses. Interest expense related to lease liabilities is included in debenture and other financing expense.

Set out below are the carrying amounts of lease liabilities and the movements during the year ended December 31, 2019.

	Lease liabilities
As at January 1, 2019	4,694
Modifications and renewals	1,226
Addition	121
Interest expense	345
Payments	(1,178)
As at December 31, 2019	5,208

The Company has classified cash payment for the principal portion of lease payments as financing activities and cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company.

Amount recognized in the consolidated statement of operations and comprehensive loss:

Depreciation expense of right-of-use assets	880
Interest expense on lease liabilities	345
Expenses relating to short term leases	151
Variable lease payments	155
Total amount recognized in consolidated statement of operations and comprehensive loss	1,531

13. Credit facilities

As of December 31, 2019, the Company had two credit facilities: the “Credit Facility – Liquid”, used to finance the Company’s installment loan products (the “Liquid loan portfolio”), and the “Credit Facility – Other”, used to finance the Company’s other loan products. Both credit facilities are subject to variable interest rates that reference LIBOR, or under certain conditions, the Federal Funds Rate in effect.

On September 1, 2015 the Company entered into the Credit Facility – Liquid through the Trust, a special purpose entity. The Credit Facility – Liquid consists of a term loan that authorizes an operating line for a maximum of \$50 million and matures on September 1, 2020. Under the terms of the agreement, the facility may be increased up to \$200 million upon certain conditions. The term loan bears interest at a variable rate of LIBOR plus 8.00% (with a LIBOR floor of 1.50%), payable on the greater of the actual aggregate unpaid principal balance, or the prescribed minimum balance under the term loan agreement. As at December 31, 2019, LIBOR was 1.74% (December 31, 2018 – 2.50%, December 31, 2017 – 1.56%). Interest expense on the Credit Facility - Liquid is included in credit facility interest expense in the consolidated statement of operations and comprehensive loss. Subsequent to December 31, 2019, the Credit Facility – Liquid was extinguished (see note 26).

On December 31, 2019, the Company amended its Credit Facility – Other. The amendments lowered the effective interest rate from a maximum of LIBOR plus 12.5% (with a LIBOR floor of 2%) to LIBOR plus 9% (with a LIBOR floor of 1.5%) effective July 2, 2020, payable on the greater of the actual aggregate unpaid principal balance, or the prescribed minimum balance under the term loan agreement. In addition, the amendment increased the available loan capital from \$50 million to \$60 million and extended the maturity date of the facility by two years from July 2, 2020 to July 2, 2022. Consistent with the previous facility, there is a 0.33% fee on the available but undrawn portion of the \$60 million facility.

The amendments have resulted in a substantial modification to the terms of the old agreement and accordingly the Company has derecognized the previous facility and has recognized a new facility at fair value. The difference between the carrying amount of the previous facility and fair value of the new facility of \$180 has been recognized as a loss in the consolidated statement of operations and comprehensive loss.

	December 31, 2019	December 31, 2018
Credit Facility - Liquid		
Funds drawn	29,255	32,375
Interest payable	191	237
Unamortized deferred financing cost	(222)	(554)
	<u>29,224</u>	<u>32,058</u>
Credit Facility - Other		
Funds drawn	47,248	44,327
Interest payable	-	294
Unamortized deferred financing cost	-	(214)
	<u>47,248</u>	<u>44,407</u>
	<u>76,472</u>	<u>76,465</u>

Both credit facilities are subject to certain covenants and events of default. As of December 31, 2019, and December 31, 2018, the Company was in compliance with these covenants. Interest expense on both credit facilities is included in credit facility interest expense in the consolidated statement of operations and comprehensive loss.

Management routinely reviews and renegotiates terms, including interest rates and maturity dates, and will continue to refinance these credit facilities as they become due and payable.

The Company has pledged financial instruments as collateral against its credit facilities. Under the terms of the general security agreement, assets pledged as collateral primarily include cash and cash equivalents with a balance of \$5,050 (2018 - \$6,484) and loans receivable with a carrying amount equal to \$88,655 (2018 - \$86,347).

14. Debentures

Debentures require monthly interest only payments and bear interest at annual rates ranging between 10.0% and 18.0% (2018 – 10.0% and 18.0%, 2017 – 12% and 18.2%) with principal amounts due at various periods up to December 8, 2022. Interest expense on the debentures is included in debenture and other financing expense in the consolidated statement of operations and comprehensive income (loss). Debentures are subordinated to the Credit Facility – Other and are secured by the assets of the Company. The Debentures are governed by the terms of a trust deed and, among other things, are subject to a subordination agreement which effectively extends the earliest maturity date of such debentures to July 2, 2022, being the maturity date of the Credit Facility – Other.

	December 31, 2019	December 31, 2018
Principal balance	43,496	41,625
Interest payable	543	531
	44,039	42,156

Management routinely reviews its outstanding debentures and actively renegotiates terms, including interest rates and maturity dates, and will continue to refinance these long-term debentures as they become due and payable. The debenture principal repayment dates, after giving effect to the subordination agreement referenced above, are as follows:

2020	-
2021	-
2022	43,496
	43,496

15. Convertible debentures

On June 6, 2017, the Company issued 10% convertible debentures of \$15.0 million aggregate principal amount at a price of one thousand dollars per debenture. The interest is payable semi-annually on November 30 and May 31. The convertible debentures are subordinated to existing credit facilities, but senior to all other secured and subordinated indebtedness, and are secured by the assets of the Company. The maturity date of the convertible debentures is May 31, 2020. The convertible debentures are convertible, at the option of the holder, in whole or in part, into common shares of the Company at any time before the maturity date at a price of \$5.00 per common share (the “Conversion Price”).

Principal and interest are payable in cash or, at the Company’s option, subject to regulatory approval and provided no events of default have occurred, in common shares of the Company issued at a price equal to the volume weighted average trading price (“VWAP”) of the common shares for the 20 trading days ending on the fifth day prior to the maturity date or the date on which the Interest payment is due, as applicable.

Prepayment

The Company may, at its option any time after 12 months from the closing date and at any time prior to maturity, subject to regulatory approval and provided that no events of default have occurred, prepay the convertible debentures in whole or in part, plus accrued interest, in cash. If the prepayment occurs:

- (i) within 24 months of the closing date, then the debenture holders are entitled to receive (1) an additional payment equal to 5% of the prepayment amount and (2) the interest that would have accrued from the date of prepayment to, but excluding, the day that is 24 months from the closing date; or
- (ii) after 24 months of the closing date but prior to the maturity date, then the debenture holders are entitled to receive the interest that would have accrued from the date of prepayment to, but excluding, the maturity date.

15. Convertible debentures (Continued from previous page)

Early Conversion

The Company may at any time that the 20-day VWAP of the common shares exceeds 115% of the Conversion Price, subject to regulatory approval and provided no events of default have occurred, convert the convertible debentures in whole or in part, including any accrued interest, to common shares at the Conversion Price of \$5.00 per common share.

On the date of issuance, the gross proceeds of \$15.0 million were first allocated to the debt component of the convertible debentures by discounting the future principal and interest payments at the prevailing interest rate at the date of issuance for a similar non-convertible debt instrument. The difference between gross proceeds and the debt component, or residual value, was then allocated to contributed surplus within shareholders' equity. Transaction costs were allocated to the debt and equity components on a pro-rata basis and amortized as a component of accretion of the convertible debenture.

The following table summarizes the carrying value of the convertible debentures as at December 31, 2019:

	Liability component of convertible debentures	Equity component of convertible debentures	Net book value, December 31, 2019	Net book value, December 31, 2018
Convertible debentures	11,705	916	12,621	12,912
Transaction costs	(1,223)	(95)	(1,318)	(1,346)
Net proceeds	10,482	821	11,303	11,566
Accretion in carrying value of debenture liability	1,786	-	1,786	1,056
Interest payable	105	-	105	108
Accrued interest	1,276	-	1,276	1,291
Interest converted in shares and paid	(1,276)	-	(1,276)	(1,291)
	12,373	821	13,194	12,730

Interest expense, which includes interest payable and the accretion of the convertible debenture, in the amount of \$2,035 for the year ended December 31, 2019 (December 31, 2018 – \$1,947, December 31, 2017 - \$1,248) is included in debenture and other financing expense in the consolidated statement of operations and comprehensive loss. In 2019, the Company issued 308,502 shares in lieu of interest payable (December 31, 2018 – 367,270) and 58,200 (December 31, 2018 – 398,600) shares for the conversion of \$291 of principal (December 31, 2018 – \$1,993).

16. Income taxes

(a) Provision for income taxes

The major components of provision for income taxes are as follows:

	2019	2018	2017
Current tax expense	-	-	-
Deferred tax expense	-	-	-
Provision for income taxes	-	-	-

The reconciliation of the provision for income taxes to the amount of income taxes calculated using statutory income tax rates applicable to the Company in Canada is as follows:

	2019	2018	2017
Canadian federal and provincial recovery of income taxes using statutory rate of 27% (2018 – 27%, 2017 -27%)	(2,653)	(5,946)	(5,381)
Change in unrecognized deductible temporary differences and unused tax losses	4,534	6,098	4,397
Permanent differences and other	(1,881)	(152)	984
Provision for income taxes	-	-	-

(b) Deferred tax assets

As at December 31, the Company's deferred tax assets are as follows:

	2019	2018
Unused tax losses	37	141

(c) Deferred tax liabilities

As at December 31, the Company's deferred tax liabilities are as follows:

	2019	2018
Convertible debentures	-	67
Deferred cost	37	74
	37	141

(d) Deductible temporary differences and unused tax losses

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

16. Income tax (Continued from previous page)

As at December 31, the Company has deductible temporary differences for which no deferred tax assets are recognized as follows:

	2019	2018
Property and equipment	2,103	2,250
Right-of-use assets, net lease liability	388	-
Intangible assets	3,205	4,368
Debentures	595	1,658
Convertible debentures	530	-
Financing costs	1,509	2,390
Research and development expenditures	1,437	1,163
Other	-	21
	9,767	11,850

As at December 31, the company has unused tax losses for which no deferred tax assets are recognised as follows:

	2019	2018
Expires 2024	610	610
Expires 2025	1,101	1,075
Expires 2026	2,136	2,136
Expires 2027	5,203	5,203
Expires 2028	2,064	2,064
Expires 2029	4,679	4,663
Expires 2030	3,698	3,698
Expires 2031	1,614	1,614
Expires 2032	4,854	4,849
Expires 2033	11,006	10,454
Expires 2034	8,420	7,416
Expires 2035	11,168	9,835
Expires 2036	18,886	19,008
Expires 2037	20,449	19,824
Expires 2038	20,214	16,277
Expires 2039	14,557	-
	130,659	108,726

17. Revenue

Subscription and services

	2019	2018	2017
Revenue from contracts with customers	23,449	19,225	9,455
Other	1,862	2,325	-
Total	25,311	21,550	9,455

18. Expenses by nature

	2019	2018	2017
Personnel expense	14,402	16,702	17,869
Marketing	9,119	8,291	5,916
Depreciation and amortization	8,049	6,875	3,489
Hosting and software licences	4,838	4,415	2,361
Credit verification costs	2,402	1,949	1,590
Professional services	2,099	1,281	1,389
Premises	326	1,036	1,053
Insurance and licenses	1,201	1,091	470
Others	2,236	2,204	2,374
	<u>44,672</u>	<u>43,844</u>	<u>36,511</u>

19. Loss per share

Loss per share is based on consolidated comprehensive 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 is based on the weighted average number of shares and dilutive share equivalents.

The following reflects consolidated comprehensive loss and weighted average number of shares used in the basic and diluted loss per share computations:

	2019	2018	2017
Loss attributed to shareholders	(10,825)	(22,022)	(19,729)
Basic weighted average number of shares (in 000s)	25,545	22,714	18,381
Basic and diluted loss per share	<u>(0.42)</u>	<u>(0.97)</u>	<u>(1.07)</u>

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

20. Capital management

The Company's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern, and to deploy capital to provide future investment return to its shareholders.

The Company sets the amount and type of capital required relative to its assessment of risk and makes adjustments when necessary to respond to changes to economic conditions, the risk characteristics of the underlying assets, and externally imposed capital requirements. In order to maintain or modify its capital structure, the Company may issue new shares, seek other forms of financing, or sell assets to reduce debt.

The Company manages the following as capital:

	2019	2018
Share capital	94,500	75,045
Deficit	(101,609)	(90,784)
Debentures	44,039	42,156
Convertible debentures	12,373	11,889
Credit facilities	<u>76,472</u>	<u>76,465</u>

There have been no changes in the Company's capital management objectives, policies and processes during the year. There are certain capital requirements of the Company resulting from the Company's credit facility that include financial covenants and ratios. Management uses these capital requirements in the decisions made in managing the level and make-up of the Company's capital structure. The Company was in compliance with all of the financial covenants as at December 31, 2019 and December 31, 2018.

Changes in the share capital of the Company over the year ended December 31, 2019 are mainly attributed to the business combination transaction as discussed in Note 21, conversion of convertible debentures and related interest, and the conversion of stock options and RSUs, as disclosed in Note 15 and Note 24, respectively.

21. Business combination

On June 21, 2019, Mogo Finance and the Company, formerly named Difference Capital Financial Inc. ("Difference"), completed a plan of arrangement (the "Business Combination"). Under the Business Combination, Mogo Finance amalgamated with a wholly-owned subsidiary of Difference. In connection with the Business Combination, Difference was continued into British Columbia and changed its name to Mogo Inc. and continues to execute on Mogo Finance's vision of building the leading fintech platform in Canada.

Under the Business Combination, each outstanding common share of Mogo Finance, excluding the 2,549,163 Mogo Finance common shares held by Difference immediately prior to consummation of the Business Combination, was exchanged for one common share of the Company. All of Mogo Finance's outstanding convertible securities became exercisable or convertible, as the case may be, for common shares in the Company. The Business combination provided Mogo Finance access to \$10,246 in cash and a portfolio of investments, which Mogo intends to liquidate, increasing the financial position and liquidity of the Company.

The Business Combination is accounted for as a reverse takeover under IFRS 3, where Mogo Finance is the accounting acquirer. Accordingly, these consolidated financial statements represent the continuing statements of Mogo Finance. The following table presents a reconciliation of the common shares outstanding immediately after the Business Combination:

	Number of common shares
Mogo Finance common shares outstanding at June 20, 2019	24,101,405
Less: Mogo Finance common shares already held by Difference (not exchanged for common shares in Difference)	(2,549,163)
Difference common shares outstanding at June 20, 2019	5,725,821
Common shares of Mogo outstanding upon completion of the Business Combination	27,278,063
Common shares of Mogo Finance immediately before the Business Combination	24,101,405
Incremental issuance of common shares	3,176,658

In the period June 21, 2019 to December 31, 2019, the operations of Difference contributed revenue of \$nil and net income of \$283. If the acquisition had occurred on January 1, 2019, management estimates that proforma consolidated revenue would have been \$68,143 and proforma consolidated net losses would have been (\$8,514) for the year ended December 31, 2019. In determining these amounts, management has assumed the fair value adjustments, determined, that arose on the date of business combination would have been the same if the acquisition had occurred on January 1, 2019.

The fair value of incremental common shares issued as consideration under the Arrangement was based on the June 20, 2019 closing price of a Mogo Finance common share on the TSX of \$4.68 per share. Difference's outstanding stock-based awards at the acquisition date became exercisable for common shares of the Company according to the provisions thereof. Since Mogo Finance is the accounting acquirer, these awards are accounted for as replacement awards. The estimated fair value of the replacement awards attributed to the pre-acquisition and post-acquisition service periods are \$682 and \$225, respectively, measured as at June 21, 2019. The pre-acquisition amount has been included as part of the total consideration.

The previously disclosed provisional allocation of consideration to estimated fair values has been updated based on fair valuations completed on the investment portfolio as of the acquisition date. This resulted in a decrease of \$1,100 to investment portfolio previously disclosed at \$23,904 and a corresponding decrease to the gain on acquisition previously disclosed at \$15,886. The following tables summarize the fair value of consideration transferred, and its final allocation to estimated fair values assigned to each major class of assets acquired and liabilities assumed at the June 21, 2019 acquisition date.

(a) Purchase consideration:

Fair value of 3,176,658 incremental common shares issued	14,867
Fair value of replacement stock-based awards attributable to pre-acquisition service	682
Purchase consideration	15,549

21. Business combination *(Continued from previous page)*

(b) Purchase price allocation:

Cash and cash equivalents	10,246
Prepaid expenses, deposits and other assets	60
Investment portfolio	22,804
Accounts payable and accruals	(2,775)
Fair value of net identifiable assets acquired	30,335
Purchase consideration	15,549
Gain on acquisition	14,786

The \$14,786 gain on acquisition is expressed net of \$1,645 transaction costs incurred in the consolidated statement of operations and comprehensive loss.

22. Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants which takes place in the principal (or most advantageous) market at the measurement date. The fair value of a liability reflects its non-performing risk. Assets and liabilities recorded at fair value in the consolidated 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 derived from quoted prices of similar (but not identical) assets or liabilities in active markets.
- 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.

(a) Valuation process

The Company maximizes the use of quoted prices from active markets, when available. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where independent quoted market prices are not available, the Company uses quoted market prices for similar instruments, other third party evidence or valuation techniques.

The fair value of financial instruments determined using valuation techniques include the use of recent arm's length transactions and discounted cash flow analysis for investments in unquoted securities, discounted cash flow analysis for derivatives, third-party pricing models or other valuation techniques commonly used by market participants and utilize independent observable market inputs to the maximum extent possible.

The use of valuation techniques to determine the fair value of a financial instrument requires management to make assumptions such as the amount and timing of future cash flows and discount rates and incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

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

(b) Accounting classifications and fair values

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. There has not been any transfer between fair value hierarchy levels during the year. The fair value disclosure of lease liabilities is also not required.

		Carrying amount				Fair value			
			Financial asset at amortized cost	Other financial liabilities					
December 31, 2019	Note	Mandatorily at FVTPL			Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value									
Investment portfolio:									
Equities	8	20,590	-	-	20,590	-	99	20,491	20,590
Partnership interest and other	8	200	-	-	200	-	-	200	200
		20,790	-	-	20,790				
Financial assets not measured at fair value									
Cash and cash equivalent		-	10,417	-	10,417	10,417	-	-	10,417
Loans receivable – current	5	-	69,949	-	69,949	-	69,647	-	69,647
Loans receivable – non-current	5	-	34,726	-	34,726	-	-	34,396	34,396
		-	115,092	-	115,092				
Financial liabilities not measured at fair value									
Accounts payable and accruals		-	-	11,254	11,254	-	11,253	-	11,253
Credit facilities	13	-	-	76,472	76,472	-	76,472	-	76,472
Debentures	14	-	-	44,039	44,039	-	44,867	-	44,867
Convertible debentures	15	-	-	12,373	12,373	-	12,373	-	12,373
		-	-	144,138	144,138				

		Carrying amount				Fair value			
			Financial asset at amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2018	Note	FVTPL							
Financial assets not measured at fair value									
Cash and cash equivalent		-	20,439	-	20,439	20,439	-	-	20,439
Loans receivable – current	5	-	62,439	-	62,439	-	62,439	-	62,439
Loans receivable – non-current	5	-	39,317	-	39,317	-	-	41,595	41,595
		-	122,195	-	122,195				
Financial liabilities measured at fair value									
Derivative financial liability	24 d	964	-	-	964	-	964	-	964
		964	-	-	964				
Financial liabilities not measured at fair value									
Accounts payable and accruals		-	-	9,454	9,454	-	9,454	-	9,454
Credit facilities	13	-	-	76,465	76,465	-	76,465	-	76,465
Debentures	14	-	-	42,156	42,156	-	44,782	-	44,782
Convertible debentures	15	-	-	11,889	11,889	-	11,889	-	11,889
		-	-	139,964	139,964				

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

(c) Measurement of fair values:

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Financial instrument measured at FV

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and FV
Investment portfolio:			
Equities			
Unlisted	• Price of recent investments in the investee company • Implied multiples from recent transactions of the underlying investee companies • Offers received by investee companies • Revenue multiples derived from comparable public companies and transactions • Option pricing model	• Third-party transactions • Revenue multiples • Balance sheets and last twelve-month revenues for certain of the investee companies • Equity volatility • Time to exit events	• Increases in revenue multiples increases fair value • Increases in equity volatility can increase or decrease fair value depending on class of shares held in the investee company • Increases in estimated time to exit event can increase or decrease fair value depending on class of shares held in the investee company
Partnership interest and others	• Adjusted net book value	• Net asset value per unit • Change in market pricing of comparable companies of the underlying investments made by the partnership	
Loan receivable – non-current	• Discounted cash flows: Considering expected prepayments and using management's best estimate of average market interest rates with similar remaining terms.	• Expected timing of cash flows • Discount rate 12%	• Changes to the expected timing of cash flow changes fair value • Increases to the discount rate can decrease fair value

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

The following table presents the changes in fair value measurements of the Company's investment portfolio recognized at fair value at December 31, 2019 and classified as Level 3:

	December 31, 2019	December 31, 2018
Opening balance December 31, 2018	-	-
Acquired in business combination with Difference	22,648	-
Disposal	(2,100)	-
Repayment of debenture	(14)	-
Unrealized gain on investment portfolio	157	-
Balance, end of period	20,691	-

(ii) Sensitivity analysis

For the fair value of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

		Profit or loss	
		Increase	Decrease
Investment portfolio:			
31 December 2019			
	Adjusted market multiple (5% movement)	1,000	(1,000)
31 December 2018	Not applicable		

During the year ended December 31, 2019, there were no transfers of assets or liabilities within the fair value hierarchy levels.

23. 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 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 primarily 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, monitors aging of the loan portfolio, monitors payment history of individual loans, and maintains an allowance for loan loss to mitigate this risk.

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

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

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

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 Company's accounts payable and accruals are substantially due within 12 months. The maturity schedule of the Company's credit facilities, debentures, and convertible debentures are described below. Management's intention is to continue to refinance any outstanding amounts owing under the credit facilities and debentures and will consider the issuance of shares in lieu of amounts owing under the convertible debentures, in each case as they become due and payable. The debentures are subordinated to the credit facilities which has the effect of extending the maturity date of the debentures to the later of contractual maturity or the maturity date of credit facilities. See Note 10 for further details.

(\$000s)	2020	2021	2022	2023	2024	Thereafter
Commitments - operational						
Lease payments	1,455	1,481	1,370	1,355	1,274	3,881
Trade payables	7,128	-	-	-	-	-
Accrued wages and other expenses	4,126	-	-	-	-	-
Accounts payable	11,254	-	-	-	-	-
Interest – Credit Facilities (note 13)	7,959	6,813	3,407	-	-	-
Interest – Debentures (note 14, 15)	6,464	5,938	2,969	-	-	-
Purchase obligations	2,111	-	-	-	-	-
	29,243	14,232	7,746	1,355	1,274	3,881
Commitments – principal repayments						
Credit Facility – Other (note 13)	-	-	47,248	-	-	-
Debentures and convertible debentures ⁽¹⁾ (note 14, 15)	12,373	-	43,496	-	-	-
	12,373	-	90,744	-	-	-
Commitments – extinguished subsequent to year end						
Credit Facility – Liquid ⁽²⁾ (note 13)	29,255	-	-	-	-	-
Total contractual obligations	70,871	14,232	98,490	1,355	1,274	3,881

(1) Convertible debentures mature on May 31, 2020 and is repayable in common shares at the discretion of the Company.

(2) Credit facility liquid was extinguished subsequent to year ended December 31, 2019. Refer to note 26 for more details.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include cash, investment portfolio, debentures, credit facilities and derivative financial liability.

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

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 fluctuating with LIBOR. The credit facilities have a LIBOR floor of 1.5% and 2.0% for Credit Facility – Liquid and Credit Facility – Other, respectively. As at December 31, 2019, LIBOR is 1.74% (December 31, 2018 – 2.50%). A 50 basis point increase in LIBOR would increase annual credit facility interest expense by \$464.

The debentures and convertible debentures have fixed rates of interest and are not subject to interest rate risk.

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 U.S. dollars. A 5% increase or decrease in the U.S. dollar exchange rate would increase or decrease the unrealized exchange gain (loss) by \$10.

	December 31, 2019	December 31, 2018
(\$'000 in USD\$)		
Cash	322	874
Investment portfolio	5,080	-
Debentures	5,020	4,770

Other price risk

Other market price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risks or currency risk), whether caused by factors specific to an individual investment or its issuers or factors affecting all instruments traded in the market. Our investment portfolio comprises of non-listed closely held equity instruments which are not exposed to market prices. Fair valuation of our investment portfolio is conducted on a quarterly basis.

24. Equity

(a) Share capital

The Company's authorized share capital is comprised of an unlimited number of common shares with no par value and an unlimited number of preferred shares issuable in one or more series. The Board is authorized to determine the rights and privileges and number of shares of each series.

As at December 31, 2019, there are 27,557,763 common shares and no preferred shares issued and outstanding.

(b) Options

The Company has a stock option plan (the "Plan") that provides for the granting of options to directors, officers, employees and consultants. The exercise price of an option is set at the time that such option is granted under the Plan. The maximum number of common shares reserved for issuance under the Plan is the greater of i) 15% of the number of common shares issued and outstanding of the Company and ii) 3,800,000. As a result of the Business Combination described in Note 13, there are an additional 536,000 options issued and outstanding as at December 31, 2019, which were granted pursuant to the Company's prior stock option plan (the "Prior Plan"). These 536,000 options outstanding do not contribute towards the maximum number of common shares reserved for issuance under the Plan as described above.

Each option converts into one common share of the Company upon exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry. Options issued under the Plan have a maximum contractual term of eight years, and options issued under the Prior Plan have a maximum contractual term of ten years.

24. Equity (Continued from previous page)

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

	Options Outstanding (000s)	Weighted Average Grant Date Fair Value \$	Weighted Average Exercise Price \$	Options Exercisable (000s)	Weighted Average Exercise Price \$
As at December 31, 2017	3,099		3.80	1,529	3.85
Options granted	468	1.26	4.13		
Exercised	(156)		1.99		
Forfeited	(303)		4.38		
As at December 31, 2018	3,108		3.88	1,965	3.80
Options granted	817	1.86	4.06		
Replacement awards (Note 21)	536	1.69	2.64		
Exercised	(356)		2.16		
Forfeited	(408)		5.11		
As at December 31, 2019	3,697		4.05	2,833	4.12

The above noted options have expiry dates ranging from November 2021 to December 2029.

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

	For the year ended December 31, 2019	For the year ended December 31, 2018
Risk-free interest rate	1.17% - 1.83%	2.07% - 2.47%
Expected life	5 years	5 years
Expected volatility in market price of shares	50 %	50 %
Expected dividend yield	0 %	0 %
Expected forfeiture rate	15 %	15 %

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

Total share based compensation costs related to options and RSUs for the year ended December 31, 2019 were \$1,732 (2018 - \$1,320).

(c) Restricted share units

RSUs are granted to executives and other key employees. The fair value of an RSU at the grant date is equal to the market value of one of 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 number of shares which may be made subject to issuance under RSUs awarded under the RSU Plan is 500,000.

24. Equity *(Continued from previous page)*

Details of outstanding RSUs as at December 31, 2019 are as follows:

	Number of RSUs (000s)
Outstanding, December 31, 2017	145
Granted	164
Converted	(30)
Expired	(33)
Outstanding, December 31, 2018	246
Granted	-
Converted	(94)
Expired	(11)
Outstanding, December 31, 2019	141

(d) Warrants

	Warrants Outstanding (000s)	Weighted Average Exercise Price \$	Warrants Exercisable (000s)	Weighted Average Exercise Price \$
As at December 31, 2018	1,779	2.66	982	2.42
Warrants exercised	(583)	2.05	-	-
As at December 31, 2019	1,196	2.96	982	2.96

The 1,196,120 warrants outstanding noted above have expiry dates ranging from January 2021 to January 2023.

On June 17, 2019, our lender exercised all of its warrants to purchase 583,333 of the Company's common shares at an exercise price of \$2.05 per share. The warrants were exercised via a net equity settlement option included in the warrant certificate. As a result, the warrants were net settled on a cashless basis, with reference to the \$4.85 volume weighted average trading price ("VWAP") of Mogo Finance's common shares on the TSX for the 5 trading days prior to the exercise date. The cashless exercise resulted in the net issuance of 336,871 common shares, and also resulted in the extinguishment of the derivative financial liability, fair valued at \$1,534 as at the exercise date, on the consolidated statement of operations and comprehensive loss.

On January 25, 2016, in connection with the original marketing collaboration agreement (the "Postmedia Agreement") with Postmedia Network Inc. ("Postmedia"), Mogo 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 were to vest in equal instalments over three years while the remaining 50% (the "Performance Warrants") were to vest based on Mogo achieving certain quarterly revenue targets.

Effective January 2018, the Postmedia Agreement was extended for an additional two years beyond the end of the current agreement, as described in Note 7. In connection with this amendment, Postmedia and Mogo agreed to change the vesting and term of the 598,060 Performance Warrants so that i) they vest equally over the remaining two years of the collaboration (50% in January 2020 and 50% in January 2021); and ii) their term is extended an additional two years, now expiring January 2023.

25. Cash flow changes from financing activities

Details of changes in financing activities for the year ended December 31, 2019 are as follows:

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019
			Conversion/ Other	Foreign exchange	Fair Value/ Amortization	
Share capital	75,045	770	18,685	-	-	94,500
Credit facility	76,465	(565)	-	-	572	76,472
Debentures	42,156	2,213	-	(330)	-	44,039
Convertible debentures	11,889	-	(276)	-	760	12,373
Lease liability	4,694	(833)	1,347	-	-	5,208
Derivative financial liability	964	-	(1,534)	-	570	-
Total	211,213	1,585	18,222	(330)	1,902	232,592

Details of changes in financing activities for the year ended December 31, 2018 are as follows:

	January 1, 2018	Cash flows	Non-cash changes			December 31, 2018
			Conversion	Foreign exchange	Fair Value/ Amortization	
Share capital	71,389	311	3,345	-	-	75,045
Credit facility	57,496	18,559	-	-	410	76,465
Debentures	40,240	1,381	-	535	-	42,156
Convertible debentures	12,988	-	(1,751)	-	652	11,889
Derivative financial liability	2,697	-	-	-	(1,733)	964
Total	184,810	20,251	1,594	535	(671)	206,519

26. Subsequent Events

Effective January 1, 2020, Mogo amended and extended the Postmedia Agreement for an additional two years expiring on December 31, 2022. Under the amended and extended Postmedia Agreement, Postmedia will receive a quarterly revenue share payment of \$263, reduced from \$527 in Q4 2019. Further, subject to receipt of shareholder approval, the expiry date of 50% of the warrants previously issued to Postmedia will be extended to seven years such that the new expiry date will be January 25, 2023. Mogo also issued to Postmedia 5-year warrants to acquire 350,000 common shares of Mogo at an exercise price of \$3.537, which will vest in equal instalments over three years.

On February 28, 2020, Mogo completed the sale of the majority of the Liquid Loan Portfolio to goeasy for gross consideration of \$31,900. Mogo is also eligible for an additional performance-based payment of up to \$1,500 payable upon achieving certain agreed-upon annual origination amounts under the 3-year lending partnership with goeasy.

On February 28, 2020, in conjunction with the sale of the majority of the Liquid Loan Portfolio, Mogo extinguished its Credit Facility – Liquid, which held a principal outstanding balance of approximately \$28,700. As part of extinguishing the facility in advance of its maturity, Mogo paid a prepayment penalty of \$2,500 of which \$1,500 is payable in cash and of which \$1,000 was settled in shares through the issuance of 306,842 common shares, priced at \$3.259 per share.

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include an impact on our ability to obtain debt and equity financing, impairment of investments, increase in loan loss provisions, impairments in the value of our intangible assets and long-lived assets, or potential future decreases in revenue or the profitability of our ongoing operations.

ITEM 19: EXHIBITS

Exhibit Number	Document Description
<u>1.1</u>	<u>Notice of Articles of the Registrant (incorporated by reference to Exhibit 99.2 of the Registrant's report on Form 6-K filed with the SEC on July 2, 2019)</u>
<u>1.2</u>	<u>Articles of the Registrant (incorporated by reference to Exhibit 99.2 of the Registrant's report on Form 6-K filed with the SEC on July 2, 2019)</u>
<u>2.1</u>	<u>First Supplemental Convertible Debenture Indenture by and between the Registrant and Computershare Trust Company of Company, dated June 21, 2019 (incorporated by reference to Exhibit 99.33 of the Company's report on Form 6-K/A filed with the SEC on July 3, 2019)</u>
<u>2.2</u>	<u>Second Supplemental Convertible Debenture Indenture by and between the Registrant and Computershare Trust Company of Company, dated May 27, 2020 (incorporated by reference to Exhibit 99.1 of the Registrant's report on Form 6-K filed with the SEC on May 28, 2020)</u>
<u>2.3</u>	<u>Amended and Restated Subordination Agreement by and between the Registrant, Computershare and DB FSLF 50 LLC, dated May 27, 2020 (incorporated by reference to Exhibit 99.1 of the Registrant's report on Form 6-K filed with the SEC on May 28, 2020)</u>
<u>4.1</u>	<u>Arrangement Agreement by and between the Registrant and Difference Capital Financial Inc., dated April 14, 2019 (incorporated by reference to Exhibit 99.2 of the Registrant's report on Form 6-K filed with the SEC on April 18, 2019)</u>
<u>4.2</u>	<u>Second Amended and Restated Marketing Collaboration Agreement by and between the Registrant and Postmedia Network Inc., effective January 1, 2020 (incorporated by reference to Exhibit 99.2 of the Registrant's report on Form 6-K filed with the SEC on February 20, 2020)</u>
<u>4.3</u>	<u>Amended and Restated Revolving Credit and Guarantee Agreement among the Registrant, Mogo Finance Technology Inc., Mogo Financial Inc., Mogo Financial (B.C.) Inc., Mogo Financial (Alberta) Inc., Mogo Financial (Ontario) Inc. and DB FSLF 50 LLC, dated July 16, 2019, as amended by the First Amendment Agreement dated December 31, 2019 (incorporated by reference to Exhibit 99.1 of the Registrant's report on Form 6-K filed with the SEC on February 20, 2020)</u>
<u>4.4</u>	<u>Amended Stock Option Plan of the Registrant (incorporated by reference to Exhibit 4.1 of the Registrant's registration statement on Form S-8, filed with the SEC on June 19, 2018)</u>
<u>4.5</u>	<u>Restricted Share Unit Plan of the Registrant (incorporated by reference to Exhibit 4.1 of the Registrant's registration statement on Form S-8, filed with the SEC on June 19, 2018)</u>
<u>4.6</u>	<u>Employment Agreement by and between the Registrant and David Feller, dated February 27, 2014 (incorporated by reference to Exhibit 4.7 of the Registrant's annual report on Form 20-F, filed with the SEC on April 29, 2019)</u>
<u>4.7</u>	<u>Employment Agreement by and between the Registrant and Gregory Feller, dated February 27, 2014 (incorporated by reference to Exhibit 4.8 of the Registrant's annual report on Form 20-F, filed with the SEC on April 29, 2019)</u>
<u>8.1</u>	<u>List of Subsidiaries of the Registrant</u>
<u>12.1</u>	<u>Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>12.2</u>	<u>Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>13.1</u>	<u>Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>13.2</u>	<u>Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>15.1</u>	<u>Consent of Independent Auditor (former) – MNP LLP</u>
<u>15.2</u>	<u>Consent of Independent (current) – KMPG LLP</u>

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Mogo Finance Technology Inc.

Date: May 28, 2020

By: /s/ Gregory Feller

Name: Gregory Feller

Title: President and Chief Financial Officer

LIST OF SUBSIDIARIES OF MOGO INC.

Entity	Jurisdiction of Incorporation
Mogo Finance Technology Inc.	British Columbia
Mogo Financial Inc.	Manitoba
Mogo Mortgage Technology Inc.	British Columbia
Mogo Blockchain Technology Inc.	British Columbia
Mogo Wealth Technology Inc.	British Columbia

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Feller, certify that:

1. I have reviewed this annual report on Form 20-F of Mogo Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the company's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 28, 2020

/s/ David Feller

Name: David Feller

Title: Chairman and Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory Feller, certify that:

1. I have reviewed this annual report on Form 20-F of Mogo Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the company's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 28, 2020

/s/ Gregory Feller

Name: Gregory Feller

Title: President and Chief Financial Officer

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, as the Chief Executive Officer of Mogo Inc. certifies that, to the best of his knowledge and belief, the annual report on Form 20-F for the fiscal year ended December 31, 2019, which accompanies this certification, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the annual report on Form 20-F for the fiscal year ended December 31, 2019 fairly presents, in all material respects, the financial condition and results of operations of Mogo Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: May 28, 2020

By: /s/ David Feller

David Feller
Chief Executive Officer
(principal executive officer)

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, as the Chief Financial Officer of Mogo Inc. certifies that, to the best of his knowledge and belief, the annual report on Form 20-F for the fiscal year ended December 31, 2019, which accompanies this certification, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the annual report on Form 20-F for the fiscal year ended December 31, 2019 fairly presents, in all material respects, the financial condition and results of operations of Mogo Inc. at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: May 28, 2020

By: /s/ Gregory Feller

Gregory Feller
Chief Financial Officer
(principal financial officer)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (No. 333-225733) on Form S-8 and Registration Statement (No. 333-234582) on Form F-10 of Mogo Inc. (the “Company”) of our report dated April 29, 2019, with respect to the consolidated statements of financial position of the Company as of December 31, 2018, and the related consolidated statements of comprehensive loss, shareholders’ equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes, which report appears in the December 31, 2019 Annual Report on Form 20-F of the Company.

Our report refers to a change in accounting policy for financial instruments and revenue recognition as of January 1, 2018 due to the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenues*.

/s/ MNP LLP

MNP LLP

Chartered Professional Accountants

Winnipeg, Manitoba, Canada

May 28, 2020



KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031
www.kpmg.ca

To the Board of Directors

Mogo Inc.

We, KPMG LLP, consent to the incorporation by reference in the registration statement on Form S-8 (No. 333-225733), of our report dated March 26, 2020, on the consolidated financial statements of Mogo Inc. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of operations and comprehensive loss, changes in equity (deficit) and cash flows for the year ended December 31, 2019, and related notes, which appears in the December 31, 2019 Annual Report on Form 20-F of Mogo Inc.

Our report on the consolidated financial statement refers to changes to accounting policies for leases due to the adoption on January 1, 2019 of IFRS 16, *Leases*.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Vancouver, Canada
May 28, 2020

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.