

**Vogogo Inc.**

**Management Discussion and Analysis**

For The Three and Six Months Ended June 30, 2016

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### **MANAGEMENT'S DISCUSSION & ANALYSIS**

This Management's Discussion & Analysis ("MD&A") is intended to provide readers with the information that management ("Management") of Vogogo Inc. ("Vogogo" or the "Corporation") believes is required to gain an understanding of the financial results of the Corporation for the three and six months ended June 30, 2016 compared to the same period in 2015, and to assess the Corporation's future prospects. Accordingly, certain sections of this report contain forward-looking statements and forward-looking information (collectively, "Forward-Looking Information"), as defined under applicable Canadian securities laws, which are based on current plans and expectations. See under the heading "Special Note Regarding Forward Looking Information". Additional information relating to Vogogo, including the Corporation's annual information form dated May 24, 2016 for the year ended December 31, 2015 (the "Annual Information Form") is available under Vogogo's profile on [www.sedar.com](http://www.sedar.com).

This MD&A, presented and dated as of August 23, 2016, should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2016 and the audited consolidated financial statements and related notes for the years ended December 31, 2015 and 2014.

The Corporation's unaudited condensed interim consolidated financial statements have been prepared on a "going concern" basis, which presumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The operations of the Corporation have been primarily funded through private placements of equity and debt. The continued operations of the Corporation are dependent on the Corporation's ability to generate profitable operations in the future, to receive continued financial support from shareholders, and/or to complete sufficient equity and debt financings.

Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern. The unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

All currency amounts in the accompanying financial statements and this MD&A are in Canadian dollars unless otherwise noted.

#### **Special Note Regarding Forward Looking Information**

Certain statements in this MD&A, other than statements of historical fact, may include Forward-Looking Information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties as well as those factors set forth under the heading "*Risk Factors*" in the Annual Information Form. These risks and uncertainties may have a material impact on future prospects and may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the

estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. Since actual events and results could differ materially, the reader is cautioned not to place undue reliance on any Forward-Looking Information. The Corporation assumes no obligation to update Forward-Looking Information should circumstances or Management's estimates or opinions change, except as required by law.

## **Business Overview**

Vogogo has been a risk management and payment services business that spent recent years developing and launching technologies that enabled secure and compliant transaction processing for businesses. Vogogo offered risk mitigation services, including know your customer ("KYC") profiling and on-boarding, client underwriting, fraud mitigation, real-time transaction monitoring, and smart transaction routing, coupled with compliance services such as reporting, sanction checks and anti-money laundering counter terrorist financing processes. Vogogo also offered a suite of payment services that could be sold separately or bundled together with its risk management services. Vogogo's services were designed for business verticals that featured higher inherent risk levels, including the cryptocurrency industry.

Vogogo obtained authorization from the Financial Conduct Authority ("FCA"), the UK's banking and financial services regulator, to operate as an authorized Electronic Money Institution ("EMI"). As an authorized EMI, Vogogo also established safeguarding accounts with two commercial banks based in Europe and finalized transaction acquiring relationships with two European banks.

The EMI authorization allowed Vogogo to operate as an independent provider of payment processing, stored value, ewallet, pre-paid card, and foreign exchange services in addition to providing related risk management services. The authorization was issued for the UK and extends to the broader European Economic Area through a cross-border services arrangement known as passporting.

Vogogo is also registered and able to operate in compliance as a Canadian Money Service Business with the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC").

Subsequent to June 30, 2016, following the strategic review process announced by Vogogo, the board of directors of the Corporation (the "Board") decided to shut down operations in order to preserve the Corporation's cash position. The Corporation advised its remaining clients that it would cease to process payments by September 30, 2016. Prior to making this determination, the Board reviewed strategic alternatives that focused on increasing shareholder value, which included, but were not limited to, a modified plan for continuing the business; the sale or combination of Vogogo's payment and risk management assets to or with another firm; a strategic vend-in, amalgamation, reverse amalgamation or similar transaction; a sale of one or more corporate assets; and/or a strategic business combination or strategic partnership. Ultimately, the Board concluded that ceasing all operations was in the best interests of the Corporation and its shareholders. The Corporation is continuing to seek potential third parties who may acquire the remaining non-cash assets of Vogogo. The Board is also assessing options to vend in one or more other viable businesses into the Corporation. There is no assurance that this process will result in any future transaction.

On July 5, 2016, the Corporation completed the disposition of certain of its assets known as the "Vogogo Risk and Rules Engine" (the "Sale Transaction") to an arm's length private risk management and consulting services company (the "Purchaser"). The Sale Transaction involved

the disposition of the Corporation's risk platform. Pursuant to the Sale Transaction, the Purchaser acquired the Vogogo Risk and Rules Engine and all associated liabilities on an "as is, where is" basis for nominal consideration. As part of the Sale Transaction, Mevia Inc. ("Mevia") agreed to terminate its rights to post-closing payments of up to \$3 million, which were payable in cash or common shares of the Corporation, in the sole discretion of the Corporation, upon the Corporation achieving certain performance thresholds set out in the agreement entered into in the second quarter of 2015 among Mevia, its shareholders and the Corporation, wherein the Corporation acquired the Vogogo Risk and Rules Engine. As a result, the balance of the corresponding intangible asset of \$2,687,426 was fully written off as at June 30, 2016 and estimated contingent consideration payable at June 30, 2016 of \$2,219,893 was also eliminated.

In addition to information in respect of Vogogo contained herein, further details concerning the Corporation are provided in the historical financial statements and related management's discussion and analysis, which have been filed under the profile of the Corporation at [www.sedar.com](http://www.sedar.com).

The Corporation's head office address is 400, 320 – 23rd Avenue S.W., Calgary, Alberta T2S 0J2 and the registered office address is 4600, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

## **NON-IFRS MEASURES**

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, may not be comparable with calculation of similar measures for other entities and should be considered non-IFRS measures. These measures are described and presented in order to provide information regarding the Corporation's financial results, liquidity and ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS measures. However, they should not be used as an alternative to IFRS measures because they may not be consistent with calculations of other companies. These non-IFRS measures, and certain operational definitions used by the Corporation, are further explained below.

### ***EBITDA and Adjusted EBITDA***

EBITDA refers to net income before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-recurring business acquisition costs and share-based compensation. These measures do not have a standardized definition prescribed by IFRS and, therefore, may not be comparable to similar captioned terms presented by other users. The EBITDA and Adjusted EBITDA are calculated as follows:

$$\text{EBITDA} = \text{Net Loss} + \text{Interest Expense} - \text{Interest Income} + \text{Accretion} + \text{Taxes (if any)} + \text{Depreciation} + \text{Amortization}.$$

$$\text{Adjusted EBITDA} = \text{EBITDA} + \text{Stock Based Compensation}.$$

*(please refer to Summary Results of Operations table below)*

Management believes that EBITDA and adjusted EBITDA are key indicators for the results generated by the Corporation's core business activities because they eliminate non-recurring items and the impact of finance and tax structure variables that exist between entities.

### **Cash Flow From Operations**

Cash flow from operations is defined as the cash generated or used in operating activities including working capital related to operating activities. It is calculated by adding non-cash items to the comprehensive income and then adding or deducting working capital sources or uses related to operating activities.

	<b>3 months ended June 30 2016 \$</b>	3 months ended June 30 2015 \$	<b>6 months ended June 30 2016 \$</b>	6 months ended June 30 2015 \$
<b>CASH FLOWS FROM OPERATIONS</b>				
Net loss	<b>(1,853,533)</b>	(2,882,088)	<b>(4,207,753)</b>	(6,641,217)
Add back (deduct) items not involving cash:				
Amortization – property and equipment	<b>720</b>	1,274	<b>1,440</b>	2,548
Amortization – intangible assets	-	214,995	<b>322,491</b>	214,995
Write off of intangible assets	<b>2,687,426</b>	-	<b>2,687,426</b>	-
Write off of long-term investment	<b>145,000</b>	-	<b>145,000</b>	-
Changes in contingent consideration payable	<b>(2,219,893)</b>	-	<b>(2,219,893)</b>	-
Stock-based compensation	<b>(17,956)</b>	395,263	<b>342,532</b>	1,994,506
	<b>(1,258,236)</b>	(2,270,556)	<b>(2,928,757)</b>	(4,429,168)
Changes in non-cash working capital items:				
Trade and other receivables	<b>(14,179)</b>	(2,588)	<b>(12,468)</b>	(2,588)
Notes receivable	<b>(1,125)</b>	(1,125)	<b>(2,250)</b>	(2,250)
Prepaid expenses and deposits	<b>6,231</b>	(19,841)	<b>(3,415)</b>	(51,131)
Trade and other payables	<b>125,505</b>	100,919	<b>(162,915)</b>	186,595
	<b>116,432</b>	77,365	<b>(181,048)</b>	130,626
Net cash used in operating activities	<b>(1,141,804)</b>	(2,193,191)	<b>(3,109,805)</b>	(4,298,542)

## SUMMARY OF FINANCIAL AND OPERATIONAL RESULTS

The following tables set forth unaudited condensed interim consolidated financial data prepared in accordance with IFRS for the three and six months ended June 30, 2016 and 2015, respectively.

### *Financial Snapshot*

(\$)	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenues	254,495	18,268	418,947	30,011
Net loss	(1,853,533)	(2,882,088)	(4,207,753)	(6,641,217)
Comprehensive loss	(1,932,999)	(2,882,088)	(4,399,302)	(6,641,217)
			As at June 30, 2016	As at December 31, 2015
Working capital (current assets less current liabilities)			6,528,077	7,428,490
Total assets			10,668,049	15,788,160
Total liabilities			4,131,947	5,195,288

### *Summary Results of Operations*

(\$)	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
General and administrative expenses	425,313	1,077,048	1,133,352	2,161,345
Sales and marketing expenses	525,685	339,590	845,451	673,186
Development and operations expenses	566,074	849,611	1,378,825	1,659,685
Net cash used in operating activities	(1,141,804)	(2,193,191)	(3,109,805)	(4,298,542)
Net loss	(1,853,533)	(2,882,088)	(4,207,753)	(6,641,217)
Interest (income), net	(6,689)	3,102	(15,037)	(680)
Amortization and depreciation	720	216,269	323,931	217,543
EBITDA	(1,859,502)	(2,662,717)	(3,898,859)	(6,424,354)
Stock-based compensation	(17,956)	395,263	342,532	1,994,506
Adjusted EBITDA (EBITDA less share-based compensation)	(1,877,458)	(2,267,454)	(3,556,327)	(4,429,848)

## Summary of Quarterly Results

The following table presents unaudited selected financial data for each of the last eight quarters up to June 30, 2016.

(\$)	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014
Total assets	10,668,049	16,623,173	15,788,160	16,393,119	18,525,387	5,432,724	7,459,303	9,187,195
Net working capital	6,528,077	5,645,886	7,428,490	9,896,109	11,451,878	3,749,580	5,984,455	7,526,431
Total liabilities	4,131,947	8,136,116	5,195,288	4,019,059	4,271,793	1,982,002	1,315,286	1,497,427
Revenue	254,495	164,452	80,657	31,527	18,268	11,743	15,981	16,985
Comprehensive loss	(1,932,999)	(2,466,303)	(2,875,176)	(2,628,001)	(2,882,088)	(3,759,129)	(2,033,915)	(2,508,898)
Basic a diluted Loss per Share	(0.04)	(0.05)	(0.05)	(0.06)	(0.06)	(0.10)	(0.07)	(0.08)

Comprehensive loss for the three months ended June 30, 2016 decreased to \$1.9 million compared to \$2.9 million for the same period in 2015. On a year-to-date basis, comprehensive loss decreased to \$4.4 million compared to \$6.6 million for the same period in 2015. The lower quarterly loss was the result of lower general and administrative, sales and marketing, development and operations, and stock-based compensation expenses compared to the same period in 2015. In addition, revenues for these periods were higher when compared to the same periods last year.

## RESULTS OF OPERATIONS

### Revenues

(\$)	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	<b>254,495</b>	18,268	<b>418,947</b>	30,011

Vogogo's Q2 2016 revenues were significantly higher at \$254,495 compared to \$18,268 for the same quarter last year. This increase is mainly due to an increase in revenues from payment processing in Europe. Vogogo EU received an EMI license during fall of 2015 and started generating revenue in March 2016. Similarly, for the six months ended June 30, 2016, revenues were significantly higher at \$418,947 compared to \$30,011 for the same period last year.

### **General and Administrative**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
<b>(\$)</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
General and administrative expenses	<b>425,313</b>	1,077,048	<b>1,133,352</b>	2,161,345

General and administrative (“G&A”) expenses consist primarily of personnel costs, processing costs and overhead expenses relating to the Corporation’s human resource, finance, legal, regulatory and administrative functions. For the three months ended June 30, 2016, G&A expenses decreased to \$425,313, a decrease of \$651,735 when compared to the same period in 2015. For the six months ended June 30, 2016, G&A expenses decreased to \$1,133,352, a decrease of \$1,027,993 from the same period in 2015.

G&A expenses during the first three and six months of 2016 were lower when compared to the same periods last year due to cost reduction initiatives that the Corporation has been implementing since the beginning of 2016.

For the six months ended June 30, 2016 2016, 74% of G&A expenses related to personnel, consulting, professional fees and rent while, for the same period in 2015, 91% of G&A expenses related to personnel, consulting, professional fees and rent.

### **Sales and Marketing**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
<b>(\$)</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Sales and marketing expenses	<b>525,685</b>	339,590	<b>845,451</b>	673,186

Sales and marketing expenses consist principally of salaries, commissions, travel and other costs associated with the Corporation’s sales force, marketing and commercialization activities including advertising, collateral development and printing, sales training, trade shows and pre- and post-sales technical support. Sales and marketing expenses for the three months ended June 30, 2016 were higher by \$186,095 as compared to the same period in 2015 and were higher by \$172,265 for the six months ended June 30, 2016 compared to the same period in 2015. The main reason for the increase in sales and marketing expenses is due to a \$200,000 severance expense accrued during the current period.



### ***Development and Operations***

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
<b>(\$)</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Development and operations expenses	<b>566,074</b>	849,611	<b>1,378,825</b>	1,659,685

Development and operations (“D&O”) expenses include personnel and related equipment costs to develop and support the Corporation’s products. The Corporation expenses all development costs as they are incurred. Development costs are only capitalized if they meet the criteria set out by IFRS. Vogogo has not capitalized any development costs during 2015 or to date in 2016. Expenditures for most of 2015 and to date in 2016 were based on further developing the risk management and payment processing technology to service businesses operating in higher risk verticals within e-commerce markets in Canada, the US and Europe. As noted above, subsequent to June 30, 2016, the Vogogo Risk and Rules Engine was sold and the Board has decided to cease all payment processing operations of the Corporation.

D&O expenses for the three months ended June 30, 2016 were lower by \$283,537 compared to the same period in 2015 and, for the six months ended June 30, 2016, were lower by \$280,860, representing a decrease of 17% due to staffing reductions.

For the six months ended June 30, 2016 and 2015, 100% of the D&O expenses were related to personnel, consulting and IT expenses.

### ***Amortization***

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
<b>(\$)</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Amortization expense	<b>720</b>	216,269	<b>323,931</b>	217,543

Amortization expense relates to the property, equipment and intangible assets owned by the Corporation. Specifically, the Corporation owns computer equipment, furniture and fixtures, leasehold improvements and intangible assets related to the Corporation’s risk platform. These assets are depreciated over their useful lives and impairments, if any, are assessed at every reporting period. Expenses incurred for the quarter ended June 30, 2016 were primarily the result of depreciating office equipment, furniture, fixtures and intangible assets. Following the Sale Transaction on July 5, 2016, the intangible asset of \$2,687,426 was impaired as the Vogogo Risk and Rules Engine was sold for a nominal price to a third party, resulting in a decrease in amortization expense.

### **Stock-based Compensation**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
<b>(\$)</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Stock-based compensation	<b>(17,956)</b>	395,263	<b>342,532</b>	1,994,506

On January 1, 2015, the Corporation acquired all of the issued and outstanding shares of Vanado Inc., a specialized consulting and payment services company based in Denver, Colorado (“Vanado”), for an aggregate deemed purchase price of approximately \$1,284,039 comprised of the issuance of 227,273 common shares in the capital of the Corporation, and the fair value of contingent consideration comprised of certain post-closing payments of up to \$1,000,000, which would be payable in common shares of the Corporation subject to the Corporation achieving certain performance thresholds. The entire \$1,284,039 was allocated to stock-based compensation for Q1 2015.

Stock-based compensation for the three and six months ended June 30, 2016 relates entirely to stock options valued using the Black Scholes option pricing model. For the six months ended June 30, 2016 165,000 stock options were issued (2015 – 1,915,000) and 1,498,331 stock options were cancelled or forfeited (2015 – 375,001) and Nil stock options were exercised (2015 – 837,416). The lower number of new stock option issues and a higher number of stock option cancellations resulted in lower stock-based compensation expense for the current period, including a stock-based compensation expense reversal of \$17,956 for the three months ended June 30, 2016.

### **Net Loss and Comprehensive Loss**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
<b>(\$)</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Net loss	<b>1,853,533</b>	2,882,088	<b>4,207,753</b>	6,641,217
Comprehensive loss	<b>1,932,999</b>	2,882,088	<b>4,399,302</b>	6,641,217

Included in net loss and comprehensive loss for the quarters ended June 30, 2016 and 2015 are significant non-cash charges (gains) including (\$17,956) and \$395,263 respectively in stock-based compensation and amortization of \$720 and \$216,269 respectively. In addition, during the current quarter ended June 30, 2016, there were one-time transactions such as an impairment of intangible assets of \$2,687,426, an impairment of the long-term investment of \$145,000, and a gain on changes in contingent consideration payable of \$2,219,893. The lower loss is the result of lower G&A expenses and an increase in revenues.

The difference between net loss and comprehensive loss for the three and six months ended June 30, 2016 is the result of foreign exchange loss on translation of foreign operations. During

the three and six months ended June 30, 2015 this amount was immaterial and therefore was not accounted for separately.

The Corporation's cash and cash equivalents at June 30, 2016 totaled \$7,184,544 (December 31, 2015 - \$10,489,615) and the positive net working capital position amounted to \$6,528,077 (December 31, 2015 – \$7,428,490). The Corporation has an accumulated deficit at June 30, 2016 of \$27,475,139 (December 31, 2015 – \$23,267,386). The Corporation has not yet been able to generate the transaction volumes required to sustain future operations and subsequent to June 30, 2016 the Board decided to cease all operations.

### ***Liquidity and Capital Resources***

Management closely monitors cash flow requirements and has sufficient cash to meet all of its current operational and financial obligations.

The Corporation's objectives when managing capital were originally to safeguard its ability to continue as a going concern in order to pursue the development and sales of its payment services and to maintain a flexible capital structure that optimized the costs of capital at an acceptable risk. However, as previously noted, subsequent to June 30, 2016, the Board made the decision to cease all payment processing operations and on July 5, 2016 sold the Vogogo Risk and Rules Engine in order to preserve cash and continue to evaluate strategic alternatives.

The management of capital includes the components of shareholders' equity, comprised of share capital and retained earnings (deficit). The Corporation strives to maximize the value associated with shareholders' equity. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares, issue debt, dispose of assets or adjust its spending, taking into account changes in economic conditions and the risk characteristics of the underlying assets.

The Corporation manages its working capital through timely collection of receivables, controlling exposure to future commitments and securing favorable terms from suppliers.

In order to preserve cash, the Corporation does not currently pay dividends.

The Corporation's overall strategy with respect to managing its capital structure is:

- To safeguard the Corporation's ability to continue as a going concern;
- To maintain appropriate cash reserves on hand; and
- To invest cash on hand in highly liquid and highly rated financial instruments.

The Corporation plans to fund its expenditures through current cash available and, if necessary and feasible, various financing options including equity and/or debt financing.

The Corporation's capital structure is made up of share capital, warrants, contributed surplus and deficit as equity components. In order to maintain or adjust its capital structure, the Corporation may from time to time issue shares and adjust its spending.

	June 30, 2016	December 31,
	\$	2015
		\$
Share capital	30,944,778	30,944,778
Warrants	550,364	550,364
Contributed surplus	2,690,087	2,347,555
Accumulated other comprehensive income (loss)	(173,988)	17,561
Deficit	(27,475,139)	(23,267,386)
<b>Total capital</b>	<b>6,536,102</b>	<b>10,592,872</b>

The Corporation is not subject to externally imposed capital requirements and the Corporation's overall strategy with respect to capital risk management remained unchanged during the periods presented.

### **Acquisitions**

#### **a. Acquisition of Vanado shares**

On January 1, 2015, the Corporation acquired all of the issued and outstanding shares of Vanado from an arm's length third-party.

The purchase was satisfied by the issuance of 227,273 common shares of the Corporation with a fair value of \$2.40 per share based on the closing trading price on January 1, 2015 for total consideration of \$545,455. Additional consideration included certain post-closing payments of up to \$1 million payable on or before December 31, 2016. These post-closing payments would be payable in common shares of the Corporation upon the Corporation achieving certain performance thresholds. \$500,000 of the contingent consideration was dependent on the Corporation securing US domestic automated clearing house processing capabilities, and the remaining contingent consideration is dependent on meeting monthly revenue targets of US \$200,000, US \$425,000 and US \$600,000 in any two consecutive months. The fair value of the contingent consideration was valued at \$738,584 at the closing date of the Agreement based on the likelihood of the performance thresholds being met and the estimated timing of the payments. The performance threshold related to the clearing house capabilities was deemed to be achieved during the year ended December 31, 2015 and, as a result, 591,366 common shares of the Corporation were issued on December 3, 2015 with a fair value of \$0.78 per share for total value of \$461,265.

The Corporation did not acquire any assets or liabilities or obtain inputs or processes on the acquisition of Vanado other than the personnel employed by Vanado. As a result, management concluded that this acquisition does not meet the definition of a business combination under IFRS and represents a share-based payment. Accordingly, the Corporation has recorded the cost of acquiring Vanado as stock-based compensation in the statement of loss and comprehensive loss.

The stock-based compensation recognized upon the acquisition consisted of:

	\$
Shares issued (227,273 common shares at \$2.40 each)	545,455
Contingent consideration payable based on milestones	738,584
<b>Stock-based compensation</b>	<b>1,284,039</b>

Management reviewed the probability of meeting the performance conditions and discounted future expected cash flows to record a fair value estimate of contingent consideration. This liability is reviewed each reporting period and any adjustment to this liability value is recorded through the statement of loss and comprehensive loss. None of the performance targets were met and there was no adjustment for the six months ended June 30, 2016.

#### **b. Acquisition of assets of Mevia**

On April 30, 2015, the Corporation acquired risk management software from Mevia,.

The purchase was satisfied by the issuance of 600,000 common shares of the Corporation with a fair value of \$2.75 per share based on the closing trading price on April 30, 2015 for total consideration of \$1,650,000. Additional consideration included certain post-closing payments of up to \$3 million payable on or before April 30, 2017. These post-closing payments were to be payable in cash or common shares of the Corporation (at the sole option of the Corporation) upon the Corporation achieving prescribed revenue targets of \$250,000, \$500,000 and \$800,000 in any two consecutive months. The post-closing payments represented a provision and were measured at a fair value of \$2,219,893.

The Corporation acquired only intangible assets from Mevia comprising the Vogogo Risk and Rules Engine. Management concluded that this acquisition meets the definition of business combination under IFRS and determined that the acquisition fair value equates to the fair value of the assets acquired, and has therefore recorded this acquisition value as the intangible asset addition on the statement of financial position. The intangible asset acquired was measured at fair value at the acquisition date based on estimated discounted cash flows.

Management reviewed the probability of meeting the performance conditions and discounted future expected cash flows to record a fair value estimate of contingent consideration at each reporting period. Any adjustment to this liability value is adjusted through the statement of loss and comprehensive loss.

These intangible assets were being amortized on a straight-line basis over the estimated useful life of three years.

The Intangible Assets recognized upon acquisition consisted of:

	\$
Shares issued (600,000 common shares at \$2.75 each)	1,650,000
Contingent consideration payable based on milestones	2,219,893

<b>Intangible Assets</b>	<b>3,869,893</b>
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Book value of intangible assets is as follows:

	\$
Balance, December 31, 2014	-
Additions	3,869,893
Amortization	(859,976)
<b>Balance, December 31, 2015</b>	<b>3,009,917</b>
Amortization	(322,491)
Impairment (*)	(2,687,426)
<b>Balance, June 30, 2016</b>	<b>-</b>

- \* On July 5, 2016, the Corporation completed the disposition of certain assets including the above-mentioned intangible assets for nominal consideration (note 17(a)). As a result, the balance of the intangible asset of \$2,687,426 was fully impaired during the six months ended June 30, 2016 and contingent consideration payable of \$2,219,893 was also eliminated.

The revenues and profit or loss since the closing date of the acquisitions, and pro forma revenues and profit or loss giving effect to the acquisitions as if they had occurred on January 1, 2015, are not practical to determine. The operations of the acquired assets are not managed as separate business units, and the Corporation's general business overhead and other costs are not allocated or identified on a specific asset basis. Such allocations would, accordingly, be arbitrary and would require significant assumptions and estimates concerning management's intentions and decision-making.

### ***Related party transactions***

- (a) The Corporation considers its key management personnel to be its Chief Executive Officer, Chief Operating Officer, Chief Relationship Officer, Chief Financial Officer, Chief Technology Officer and directors. Key management compensation is composed of payroll, stock based compensation and consulting fees paid to key management and companies controlled by key management. During the three and six months ended June 30, 2016, key management compensation amounted to \$492,229 and \$866,274 respectively (2015 - \$314,603 and \$610,073), split between general and administrative sales and marketing, development, operations, and stock-based compensation expenses, based on work performed.

During the six months ended June 30, 2016, employment of the Chief Executive Officer and Chief Relationship Officer ceased. Termination costs of \$200,000 were owing at June 30, 2016 and have been included in sales and marketing expense for the three and six months ended June 30, 2016.

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss for the three and six months ended June 30, 2016 was \$1,182,354 and \$2,793,051 respectively (2015 - \$2,205,023 and \$3,664,610), split between general and administrative, sales and marketing, development and operations expenses, based on work performed.

(b) On April 28, 2014, the Corporation provided loans to two companies controlled by two key management personnel for \$75,000 each for a total of \$150,000. These companies provided promissory notes to the Corporation. These two loans bear interest at 3 percent per annum and were originally due April 28, 2015. The loan agreements were amended to extend the maturity date to April 28, 2017. Interest of \$9,750 (December 31, 2015 - \$7,500) has been accrued as at June 30, 2016 and is included in the notes receivable balance. These notes receivable were paid in full subsequent to the quarter end. See details below:

- On July 6, 2016 the Corporation repurchased 2 million common shares of the Corporation for cancellation from a Company controlled by the former President and CEO (“CEO”) of the Corporation for a deemed price of \$0.065 per share. Proceeds from this share repurchase were used to settle the Notes Receivable (as described in section (b) above), with the balance settled in cash. These 2 million shares were immediately cancelled on re purchase.
- On August 18, 2016 the Corporation repurchased 2.3 million common shares of the Corporation for cancellation from a Company controlled by the former Chief Revenue Officer (“CRC”) for a deemed price of \$0.065 per share. Proceeds from this share repurchase were used to settle the Notes Receivable (as described in section (b) above), with the balance settled in cash. These 2.3 million shares were immediately cancelled on re purchase.

### **Commitments**

The Corporation is committed under leases on its Calgary office space, expiring July 31, 2017, and its London office space, expiring December 31, 2016, for future minimum rental payments exclusive of occupancy costs as follows:

	London	Calgary	Total
	\$	\$	\$
2016	17,906	39,468	57,374
2017	-	46,046	46,046
	<b>17,906</b>	<b>85,514</b>	<b>103,420</b>

### **Contingencies**

In December 2014, a statement of claim was filed in the Alberta Court of Queen’s Bench by a company controlled by the previous Chief Technology Officer of the Corporation. The claim alleges a breach of certain provisions of the Business Corporations Act (Alberta) by the Corporation in connection with a February 2014 repurchase of certain Common shares of the Corporation previously held by the company. The claim seeks damages in an amount in excess of \$15,000,000.

On January 20, 2016, a statement of claim was filed in the Alberta Court of Queen’s Bench by a firm that was party to a proposed business combination in 2014, which did not proceed and was mutually terminated at that time. The claim alleges a breach of certain provisions of the business combination agreement pursuant to the Corporation completing the reverse take-over transaction in September 2014. The claim seeks damages in an amount in excess of \$4,000,000.

The Corporation believes these claims are without merit and litigation counsel has been authorized and instructed to vigorously defend against these claims and, accordingly, the Corporation has not accrued a provision relating to the claims. As at the date of these condensed interim consolidated financial statements, these claims are still pending.

### **Off-Balance Sheet Arrangements**

At the date of this report, the Corporation had no off-balance sheet arrangements.

### **Outstanding share capital**

Vogogo is authorized to issue an unlimited number of preferred shares without nominal or par value and an unlimited number of common shares. As at the date of this MD&A, the Corporation had 47,022,410 common shares, 3,101,752 stock options, 1,054,231 warrants convertible into common shares, and no preferred shares outstanding.

## **SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the unaudited condensed interim consolidated financial statements in conformity with IFRS requires Management to make judgments in applying its accounting policies, including estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets and liabilities at the reporting date, and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Corporation has made in the preparation of its condensed interim consolidated financial statements.

### **1) Areas of Judgment**

#### **(a) Impairment tests**

Management exercises judgment to determine whether there are factors that would indicate that an asset or a Cash Generating Unit ("CGU") is impaired. Factors considered include whether an active market exists for the output produced by the asset or group of assets, estimates of future revenues and costs, discount rates and other relevant assumptions.

#### **(b) Business combinations**

Determining whether an acquisition should be accounted for as a business combination or represents an asset purchase requires judgment on a case-by-case basis, depending on Management's assessment as to whether the acquisition meets the definition of a business.

#### **(c) Going concern**

Determining if the Corporation has the ability to continue as a going concern is dependent on its ability to raise additional financing and to achieve profitable operations. Certain judgments are made when determining if the Corporation will be able to continue as a going concern. Further disclosure is included in note 2(c) of the unaudited condensed interim consolidated financial statements.



## 2) Assumptions and Critical Estimates

### (a) Stock-based compensation and warrants

The amounts recorded relating to fair value of stock options and warrants are based on estimates of future volatility in the Corporation's share price, expected lives of options and warrants, the risk-free interest rate, and other relevant assumptions. Volatility is estimated based on the average price volatility of common shares of a comparative group of companies over the preceding period equaling the expected lives of the Corporation's options and warrants.

### (b) Impairment of property and equipment and intangible assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less disposal costs and its value in use. The fair value less disposal costs estimate is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use estimate is based on a discounted cash flow model. The cash flows are derived from the projection for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the performance of the asset or CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

### (c) Estimate of useful life for intangibles

Management's judgment involves the use of estimates for determining the useful life for intangibles to determine amortization methods and rates.

### (d) Contingent consideration

The valuation of the contingent consideration issued on the acquisition of shares of Vanado and the acquisition of assets from Mevia has been recorded at fair value and has been based on Management's assessment of the likelihood of the performance targets being met. The associated liability is measured at fair value at each reporting date based on the likelihood of the performance targets being met.

### (e) Tax assets and liabilities

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences as well as the future tax rates that will apply to those differences. Changes in tax laws and rates as well as changes to the expected timing of

reversals may have a significant impact on the amounts recorded for deferred tax assets and liabilities. Management closely monitors current and potential changes to tax law and bases its estimates on the best available information at each reporting date.

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Corporation's risk management policies are established to identify, analyze and manage the risks faced by the Corporation and to implement appropriate procedures to monitor risks in adherence with established controls. Risk management policies and systems are reviewed periodically in response to the Corporation's activities and to ensure applicability.

In the normal course of business, the main risks arising from the Corporation's use of financial instruments include credit risk, liquidity risk and market risk. These risks, and the actions taken to manage them, include:

### **(a) Fair value**

Due to the short-term nature of trade and other receivables, notes receivable, deposits, trade and other payables and trust liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. Long-term investment consists of common shares held in a private corporation. The Corporation has determined that the fair value of these common shares cannot be reliably determined and as such the long-term investment is carried at cost.

### **(b) Credit risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions, trade and other receivables, deposits and notes receivable. The maximum exposure to credit risk is equal to the carrying value of the Corporation's cash and cash equivalents, cash held in trust, trade and other receivables, deposits and notes receivable.

The Corporation minimizes credit risk associated with its cash balance substantially by dealing with major financial institutions in Canada, the United States and the United Kingdom. Trade and other receivables consist primarily of accrued interest receivable on the guaranteed investment certificates issued by the Corporation's Canadian bank. The notes receivable are due from key management personnel and the Corporation minimizes the associated credit risk by monitoring the amount receivable and the financial position of the debtors.

Approximately 86% of the Corporation's revenue during the six months ended June 30, 2016 (2015 - 35%) was generated from 4 (2015 - 2) customers.

### **(c) Liquidity risk**

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they come due. As at June 30, 2016, the Corporation has cash and cash equivalents of \$7,184,544 (December 31, 2015 - \$10,489,615) and has a positive net working capital position of \$6,528,077 (December 31, 2015 - \$7,428,490) in order to manage liquidity risk. Trade and other payables, trust liabilities and the contingent consideration payable are expected to be paid in the next year.

### **(d) Currency risk**

Currency risk is the risk that the value of financial assets and liabilities denominated in currencies, other than the functional currency of the Corporation, will fluctuate due to changes in foreign currency exchange rates. As at June 30, 2016, the Corporation's exposure to currency risk is limited to cash and cash equivalents denominated in other currencies of US \$363,770 (December

31, 2015 - US \$338,718), GBP 384,587 (December 31, 2015 – GBP 389,938), and Euro 80,736 (December 31, 2015 – Euro Nil); to trade and other payables denominated in other currencies of US \$6,913 (December 31, 2015 - US \$296,774), GBP 48,694 (December 31, 2015 – GBP 7,644), and Euro 5,154 (December 31, 2015 – Euro Nil); and to trade and other receivables denominated in other currencies of US \$9,982 (December 31, 2015 – US \$11,382) and Euro 12,140 (December 31, 2015 – Euro 2,697). A 1% change in the exchange rate between the Canadian and US dollar, GBP and Euro would have a \$7,900 (2015 – \$3,500) impact on the net income and cash flows of the Corporation.

(e) Interest rate risk

Interest rate risk is the risk that the fair value and cash flows associated with the Corporation's interest bearing financial assets and liabilities will fluctuate due to changes in market interest rates. As June 30, 2016, the Corporation is not exposed to any interest rate risk.

## **Risks and Uncertainties**

Since the Board has made the decision to cease all operations, the Corporation is no longer subject to the risks associated with the legal and economic climate in which it previously operated or its prior stage of development of its operations. However, as the Corporation continues to evaluate its strategic alternatives, it is subject to a number of risks. There can be no certainty that the Corporation will be able to successfully implement any strategic alternative going forward. No representation is or can be made as to the future performance of the Corporation and there can be no assurance that the Corporation will achieve its objectives. Accordingly, readers should carefully consider the following discussion of risks that pertain to the Corporation (the text below summarizes some of these risks and is not intended to be complete or exhaustive).

### *Ability to Effect Strategic Alternative*

The Corporation may not be able to source or effect a suitable strategic alternative in a timely manner or at all.

### *Additional Capital Requirements*

The Corporation's cash reserves may not be sufficient to fund its ongoing activities at all times. Accordingly, the Corporation may need to engage in equity or debt financings to secure additional funds. If the Corporation raises additional funds through further issuances of equity or convertible debt securities, shareholders of the Corporation could suffer significant dilution, and any new equity securities the Corporation issues could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by the Corporation in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which might make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities. The Corporation can provide no assurance that sufficient debt or equity financing will be available in a timely manner, or at all.

### *Dependence on Key Personnel*

The success of the Corporation will be largely dependent upon the performance of its current Management and Board. The unexpected loss or departure of any of the current officers, employees or consultants of the Corporation could be detrimental to the Corporation.

### *Future Acquisitions*

The Corporation may seek to expand its business and capabilities through the acquisition of compatible technology, products or businesses. There can be no assurance that suitable acquisition candidates can be identified and acquired on favorable terms, or that the acquired operations can be profitably operated or integrated in the Corporation's operations. To the extent that the board is successful in identifying suitable companies or products for acquisition, the Corporation may deem it necessary or advisable to finance such acquisitions through the issuance of shares, securities convertible into shares, debt financing, or a combination thereof. In such cases, the issuance of shares or convertible securities could result in dilution to the shareholders of the Corporation at the time of such issuance or conversion. The issuance of debt to finance acquisitions may result in, among other things, the encumbrance of certain of the Corporation's assets, impeding the Corporation's ability to obtain bank financing, decreasing the Corporation's liquidity, and adversely affecting its ability to declare and pay dividends to shareholders of the Corporation.

### *Continued Losses from Operations*

As at June 30, 2016, the Corporation had cash and cash equivalents of \$7,184,544 (December 31, 2015 - \$10,489,615) and had a positive net working capital position of \$6,528,077 (December 31, 2015 - \$7,428,490). However, the Corporation had an accumulated deficit of \$27,475,139 (December 31, 2015 - \$23,267,386) as at June 30, 2016 and incurred a net loss during the six months ended June 30, 2016 of \$4,207,753 (2015 - \$6,641,217). The Corporation is ceasing all of its operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to June 30, 2016 is uncertain.

### *Legal Risks*

The Corporation is subject to legal risks related to operations, contracts, relationships and otherwise, which could result in the Corporation being served with legal claims. Whether or not the claims are legally valid, such claims may result in legal fees, damages, settlement and other costs as well as significant time and distraction of Management and employees.

### *Operating Results and Financial Condition May Fluctuate on a Quarterly and Annual Basis*

Operating results and financial condition may fluctuate from quarter to quarter and year to year, and are likely to continue to vary due to a number of factors, some of which are outside of the Corporation's control. These events could, in turn, cause the market price of the Corporation's shares to fluctuate. If operating results do not meet the expectations of securities analysts or investors, the market price of the Corporation's shares would likely decline.

### *Indemnity Risks*

Certain of the Corporation's agreements with its merchants contain indemnity provisions that require the Corporation to indemnify the merchant whether or not a transaction is properly completed. Corresponding indemnity claims could potentially have an adverse impact on the Corporation's business.

Due to all of the foregoing factors and risks discussed in this “Risk and Uncertainties” section, individuals should not rely on quarter-to-quarter or year-to-year comparisons of the Corporation’s operating results as an indicator of future performance.

### **Forward Looking Statements May Prove Inaccurate**

Prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks, and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See under the heading “*Special Note Regarding Forward-Looking Information*”.

### **Conflicts of Interest**

Certain directors of the Corporation may engage in businesses similar to the Corporation and situations may arise where the directors may be in direct competition with the Corporation’s business. Conflicts of interest, if any, that arise will be subject to and governed by the procedures prescribed by the Act, which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation to disclose his/her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the Act.

### **Absence of Cash Dividends**

The Corporation has not paid any cash dividends to date on the common shares and there are no plans for such dividend payments in the foreseeable future.