Rifco Inc.
Condensed Consolidated Interim Financial Statements
For the nine months ended December 31, 2015

Rifco Inc.
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For the three and nine month period ended December 31, 2015

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Rifco Inc.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

	Notes	December 31, 2015 $	March 31, 2015 $
		unaudited	
ASSETS			
Cash	17	3,668,014	3,715,654
Finance receivables - net	5, 9, 17	230,373,191	248,947,365
Other receivables and prepaid expenses	17	524,161	344,816
Income taxes receivable		2,662,852	-
Property and equipment - net	6	621,029	789,038
Deferred income tax asset	7	6,230,000	6,478,000
Total Assets		244,079,247	260,274,873
LIABILITIES AND EQUITY			
Accounts payable and accruals	11, 17	4,745,809	5,130,230
Bank borrowing	8, 17	80,140,940	84,439,412
Securitization debt	9, 17	118,408,084	131,929,650
Unsecured debentures	10, 15, 17	11,815,000	11,500,000
Income taxes payable		-	2,351,085
Total Liabilities		215,109,833	235,350,377
Equity			
Share capital	12	7,248,214	7,172,566
Contributed surplus	12	2,956,137	2,632,079
Retained earnings		18,765,063	15,119,851
Total Equity		28,969,414	24,924,496
Total Liabilities and Equity		244,079,247	260,274,873
Commitments	19		
Subsequent event	20		

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

Rifco Inc.

Condensed Consolidated Interim Statements of Comprehensive Income

(Expressed in Canadian Dollars)

For the three and nine month period ended December 31, 2015 and 2014

	Notes	Three months ended December 31, 2015 $	Three months ended December 31, 2014 $	Nine months ended December 31, 2015 $	Nine months ended December 31, 2014 $
		unaudited	unaudited	unaudited	unaudited
Financial revenue					
Interest income		8,895,886	10,076,968	27,802,042	28,379,878
Administration, discount and other fees		303,485	225,947	854,019	524,106
Total financial revenue		9,199,371	10,302,915	28,656,061	28,903,984
Financial expense					
Interest expense	15	2,425,629	2,760,663	7,475,358	7,722,881
Total financial expense		2,425,629	2,760,663	7,475,358	7,722,881
Net financial income before impairment and credit losses		6,773,742	7,542,252	21,180,703	21,181,103
Provision for impairment and credit losses	5	3,056,239	3,947,882	9,015,520	9,427,352
Net financial income before operating expenses		3,717,503	3,594,370	12,165,183	11,753,751
Operating expenses					
Wages and benefits	15	1,799,180	1,390,259	5,305,038	3,978,459
Professional fees		118,037	54,518	302,547	195,378
Office and general		564,696	502,805	1,516,106	1,519,241
Stock based compensation	12, 13, 15	92,929	177,238	349,306	501,299
Depreciation and amortization	6	116,783	97,552	330,974	183,731
Total operating expenses		2,691,625	2,222,372	7,803,971	6,378,108
Income before taxes		1,025,878	1,371,998	4,361,212	5,375,643
Current income tax recovery (expense)	7	91,000	(1,278,000)	(468,000)	(4,627,000)
Deferred income tax (expense) recovery	7	(363,000)	718,000	(248,000)	3,008,000
Total income tax expense		(272,000)	(560,000)	(716,000)	(1,619,000)
Total net income and comprehensive income for the period attributable to equity holders		753,878	811,998	3,645,212	3,756,643
Net earnings per common share					
Basic	14	$ 0.035	$ 0.038	$ 0.171	$ 0.178
Diluted	14	$ 0.035	$ 0.037	$ 0.169	$ 0.173

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

Rifco Inc.
Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)

For the nine month period ended December 31, 2015 and 2014

	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
		unaudited	unaudited	unaudited	unaudited
As at March 31, 2014		6,843,302	2,052,245	9,192,038	18,087,585
Total comprehensive income for the period		-	-	3,756,643	3,756,643
Exercise of options		290,123	(84,673)	-	205,450
Stock based compensation	12, 13	-	501,299	-	501,299
As at December 31, 2014		7,133,425	2,468,871	12,948,681	22,550,977
As at March 31, 2015		7,172,566	2,632,079	15,119,851	24,924,496
Total comprehensive income for the period		-	-	3,645,212	3,645,212
Exercise of options		75,648	(25,248)	-	50,400
Stock based compensation	12, 13	-	349,306	-	349,306
As at December 31, 2015		7,248,214	2,956,137	18,765,063	28,969,414

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

Rifco Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars)

For the three and nine month period ended December 31, 2015 and 2014

		For the three months ended		For the nine months ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Notes	$	$	$	$
		unaudited	unaudited	unaudited	unaudited
Operating activities					
Total net income for the period		753,878	811,998	3,645,212	3,756,643
Adjustments for					
Depreciation and amortization	6	116,783	97,552	330,974	183,731
Provision for impairment and credit losses	5	2,792,406	3,754,844	8,454,230	8,854,623
Stock based compensation	13	92,929	177,238	349,306	501,299
Deferred income tax expense (recovery)	7	363,000	(718,000)	248,000	(3,008,000)
Interest expense		2,425,629	2,760,663	7,475,358	7,722,881
(Cash interest paid)		(2,424,401)	(2,716,639)	(7,566,823)	(7,593,317)
Current income tax (recovery) expense	7	(91,000)	1,278,000	468,000	4,627,000
Amortization of origination costs		953,586	809,943	2,752,171	2,249,885
Amortization of transaction costs for bank borrowing	8	15,048	45,145	105,336	135,433
		4,997,858	6,300,744	16,261,764	17,430,178
Changes in non cash working capital		(482,106)	324,340	(563,766)	2,170,984
(Funds advanced on finance receivables)		(21,980,274)	(38,511,071)	(68,326,237)	(124,015,425)
Principal collections of finance receivables		25,167,802	22,489,097	77,402,350	66,204,222
(Origination costs) - net		(656,989)	(982,782)	(1,708,339)	(3,480,353)
Income taxes (paid)		(1,197,573)	(539,040)	(5,481,937)	(2,396,371)
Net cash flows from operating activities		5,848,718	(10,918,712)	17,583,835	(44,086,765)
Investing activity					
Purchase of property and equipment	6	(9,174)	(347,640)	(162,965)	(631,715)
Net cash flows from investing activities		(9,174)	(347,640)	(162,965)	(631,715)
Financing activities					
(Repayments of bank borrowing)		(15,725,446)	(25,571,066)	(47,005,723)	(95,804,571)
Advances from bank borrowing		14,104,530	28,517,224	42,609,260	93,451,880
Proceeds from securitization debt		19,058,617	29,281,779	57,991,522	113,534,686
(Repayments of securitization debt)		(22,445,610)	(22,693,417)	(71,428,968)	(70,038,803)
Issuance of common shares	12	-	-	50,400	205,450
Proceeds from unsecured debentures		735,000	1,885,000	1,075,000	3,715,000
(Repayments of unsecured debentures)		(420,000)	-	(760,000)	(210,000)
Net cash flows from financing activities		(4,692,910)	11,419,520	(17,468,510)	44,853,642
(Decrease) increase in cash		1,146,634	153,168	(47,640)	135,162
Cash, beginning of period		2,521,380	2,786,372	3,715,654	2,804,378
Cash, end of period		3,668,014	2,939,540	3,668,014	2,939,540

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

1. Incorporation and operations

Rifco Inc. ("Rifco" or the "Company") operating through its wholly owned subsidiary Rifco National Auto Finance Corporation is engaged in vehicle finance. The Company shares are traded on the TSX Venture Exchange under the symbol "RFC". The Company currently provides non-traditional vehicle financing to motorists through a growing network of select new and used vehicle retailers. The Company operates in all provinces except Quebec. The Company, and its subsidiary, are incorporated under the laws of Alberta. The Company's registered office is Suite 500, 5000 Gaetz Ave, Red Deer, Alberta, T4N 6C2.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS-34 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended March 31, 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 10, 2016.

Basis of presentation

These condensed consolidated interim financial statements are stated in Canadian dollars, and in all material respects, follow the same accounting policies and method of applications as the annual audited consolidated financial statements of the preceding fiscal year.

These condensed consolidated interim financial statements include the financial statements of Rifco Inc. and Rifco National Auto Finance Corporation, a 100% owned subsidiary.

Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise judgments, estimates and assumptions in applying the Company's accounting policies and the reported amounts of assets, liabilities, equity, income and expenses. Actual results may differ from the estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended March 31, 2015.

3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with IFRS.

4. New accounting standards and interpretations

New accounting standards and interpretations not yet adopted

IFRS 9 'Financial Instruments'

This new standard replaces the requirements in IAS 39 Financial Instruments: Recognition and Measurement for classification and measurement of financial assets. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss caused by changes to the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting, which will allow entities to better reflect their risk management activities in financial statements. The most significant improvements apply to those that hedge non-financial risk, so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. Management is currently assessing the impact of IFRS 9 on its consolidated financial statements. The application date for this standard is effective for annual periods on or after January 1, 2018.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes principles for recognizing revenues based on a five step model which is applied to all contracts with customers. The standard adoption date was changed to be implemented beginning on or after January 1, 2018. Management is currently assessing the impact of IFRS 15 on its consolidated financial statements. The application date for this standard is effective for annual periods on or after January 1, 2018.

IFRS 16 'Leases'

In January 2016, the IASB issued a new standard, IFRS 16 Leases ("IFRS 16"). IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company's interim financial statements for the quarter ended December 31, 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers, has also been applied. The Company has not yet determined the potential impact the adoption of IFRS 16 will have on its financial statements

5. Finance receivables – net

Finance receivables – net consists of vehicle purchase loans, which generally have initial terms of 24 to 84 months with fixed rates of interest. The Company's experience has shown that a portion of contracts will be paid in full prior to the loan maturity date. Accordingly, the maturities of finance receivables shown in the table below are not to be regarded as a forecast of future cash collections. Loan payments, including principal and interest due under finance receivables are as follows:

	December 31, 2015	**March 31, 2015**
	$	**$**
2016	74,909,181	79,619,060
2017	70,830,254	75,989,605
2018	65,102,539	70,470,826
2019	56,070,734	61,921,054
2020	43,022,816	49,137,411
2021	25,176,271	31,039,801
2022 and subsequent years	8,296,003	9,425,970
Gross finance receivables	343,407,798	377,603,727
Less unearned interest	(116,175,784)	(132,631,404)
Accrued interest and fees	2,813,619	2,140,245
Finance receivables	230,045,633	247,112,568
Unamortized origination costs and discounts	5,884,021	6,927,853
Less provision for impairment	(5,556,463)	(5,093,056)
Finance receivables - net	230,373,191	248,947,365

Finance receivables are secured by motor vehicle collateral and registered with the applicable provincial personal property registry.

A summary of the change in the provision for impairment and credit losses are as follows:

	Three months ending		**Nine months ending**	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
	$	**$**	**$**	**$**
Provision for impairment from prior period	5,773,153	4,289,596	5,093,056	2,873,878
Provision for impairment at end of period	(5,556,463)	(5,519,185)	(5,556,463)	(5,519,185)
Change in provision for impairment	216,690	(1,229,589)	(463,407)	(2,645,307)
Credit losses net of recoveries for the period	(3,009,096)	(2,525,255)	(7,990,823)	(6,209,316)
Repossession and recovery costs for the period	(263,833)	(193,038)	(561,290)	(572,729)
Provision for impairment and credit losses for the period	(3,056,239)	(3,947,882)	(9,015,520)	(9,427,352)

5. Finance receivables – net (continued)

The aging analysis of finance receivables and their respective provision for impairment are as follows:

December 31, 2015 (000's except %)	Current $	11 - 30 days past due $	31 - 60 days past due $	61 - 90 days past due $	Over 90 days past due $	Total Finance Receivables $
Finance receivables	198,224	18,338	9,122	2,807	1,555	230,046
Percent of total finance receivables	86.17%	7.97%	3.97%	1.22%	0.67%	100.00%
Collective provision for impairment	1,238	-	-	-	-	1,238
Specific provision for impairment	684	504	1,186	1,011	933	4,318
Total impairment						5,556
Finance receivables due but not impaired	196,302	17,834	7,936	1,796	622	224,490
Percentage of finance receivables impaired	0.97%	2.75%	13.00%	36.00%	60.00%	2.42%

March 31, 2015 (000's except %)	Current $	11 - 30 days past due $	31 - 60 days past due $	61 - 90 days past due $	Over 90 days past due $	Total Finance Receivables $
Finance receivables	214,821	19,676	8,954	2,597	1,064	247,112
Percent of total finance receivables	86.94%	7.96%	3.62%	1.05%	0.43%	100.00%
Collective provision for impairment	1,494	-	-	-		1,494
Specific provision for impairment	51	590	1,254	1,013	692	3,599
Total impairment						5,093
Finance receivables due but not impaired	213,276	19,086	7,700	1,584	372	242,018
Percentage of finance receivables impaired	0.72%	3.00%	14.00%	39.00%	65.00%	2.06%

Loans over 90 days past due, for which the Company has not successfully repossessed its security, are reported as a credit loss against the provision for impairment balance.

The Company has recorded an impairment provision on a portion of past due loans. Loan amounts reported as past due but not impaired, are the residual value net of loans after specific and collective impairments.

The specific provisioning on current loans was increased where the original loan contracts of the customer were modified.

6. Property and equipment – net

During the nine months ended December 31, 2015, the Company acquired total property and equipment amounting to $162,965 (December 31, 2014 - $631,715) and the depreciation for the nine month period ended was $330,974 (December 31, 2014 - $183,731). The net book value as at December 31, 2015 amounted to $621,029 (March 31, 2015 - $789,038).

7. Income taxes

Net deferred income tax assets are comprised of the following:

	December 31 2015 $	March 31 2015 $
Deferred income tax assets		
Securitized loans and provision for impairment	8,113,000	8,513,000
Property and equipment	29,000	-
Other	43,000	36,000
	8,185,000	8,549,000
Deferred income tax liabilities		
Holdback on securitization	1,955,000	2,056,000
Property and equipment	-	15,000
	1,955,000	2,071,000
Net deferred income tax asset	6,230,000	6,478,000

Reconciliation between the tax expense and the accounting profit multiplied by the federal and provincial tax rates for the period ended December 31, 2015 and December 31, 2014 is as follows:

	December 31, 2015 $	December 31, 2014 $
Income before taxes	4,361,212	5,375,643
Statutory income tax rate	26.50%	25.00%
Income tax expense	1,155,721	1,343,911
Tax rate change	(518,240)	-
Non-deductible expenses for tax purposes	78,519	275,089
Income tax	716,000	1,619,000
Effective income tax rate	16.42%	30.12%
Allocation of expense (recovery)		
Current	468,000	4,627,000
Deferred	248,000	(3,008,000)
	716,000	1,619,000

8. Bank borrowing

The Company has a secured revolving credit facility of $100M with Wells Fargo Corporation Canada and ATB Corporate Financial Services (registered senior debt holders). The facility has a November, 2016 term renewal date. The Company has provided a general security agreement over all the assets of the Company. The bank borrowing balance as at December 31, 2015 was $80,140,940 (March 31, 2015 – 84,439,412) All transaction costs for the secured revolving credit facility has been amortized. The transaction costs amortized for the nine month period amounted to $105,336 (December 31, 2014 $135,433). The Company must meet certain financial covenants, and as at December 31, 2015, and throughout the period, the Company was in compliance with all the covenants.

8. Bank borrowing (continued)

The Company has a letter of credit to Securcor Trust for $3M in return for cash released from its cash holdback. The letter of credit forms part of a $100M syndicated secured revolving credit facility. The letter of credit had an expiry date of April 1, 2015 and was subsequently renewed to April 1, 2016.

The Company has a letter of credit to Aviator Trust ("Canadian Schedule 1 Chartered Bank") for $2M in return for cash released from its cash holdback. The letter of credit forms part of a $100M syndicated secured revolving credit facility. The letter of credit had an expiry date of December 8, 2015 and was renewed to December 8, 2016

9. Securitization

Securitization debt

Securitization debt represents funding secured by finance receivables composed of principal and interest sold directly to the Securitizers (the Company securitizes its finance receivables with Securcor Trust, Aviator Trust, and Mountain View Credit Union (referred to collectively as the "Securitizers")). As the securitization of finance receivables does not qualify for de-recognition under IFRS, the net proceeds received through securitization of these finance receivables are recorded as securitization debt on the consolidated statements of financial position. The total amount of securitization debt outstanding (excluding the cash holdbacks) as at December 31, 2015 amounted to $124.29M (March 31, 2015 - $139.79M).

The securitization debt is recorded at amortized cost using the effective interest rate method. Interest expense is allocated over the expected term of the borrowing by applying the effective interest rate to the carrying amount of the debts. The effective interest rate is the discount rate that exactly discounts estimated future cash out flows and proceeds over the expected life of the debts. Transaction costs, premiums, or discounts are applied to the carrying amount of the debts.

Securitization debt is reduced on a monthly basis by scheduled payments and prepayments relative to amounts collected from securitized finance receivables during the month. Tranches of securitization debt have fixed maturities, fixed interest rates, and fixed repayment schedules based on the underlying pledged securitized finance receivables. Securitization debt is non-recourse to the Company.

The Company must meet certain financial covenants, and throughout the period, the Company was in compliance with all covenants.

	$
At March 31, 2014 - Securitization debt	96,835,881
Gross sale proceeds from securitizers	114,292,130
(Repayments to securitizers)	(84,466,144)
(Additions to securitization holdback)	(8,152,864)
Received from securitization holdback	13,513,510
(Unamortized securitization cost)	(92,863)
At March 31, 2015 - Securitization debt	131,929,650
Gross sale proceeds from securitizers	51,960,196
(Repayments to securitizers)	(67,491,283)
(Additions to securitization holdback)	(4,053,205)
Received from securitization holdback	6,031,326
(Unamortized securitization cost)	31,400
At December 31, 2015 - Securitization debt	118,408,084

9. Securitization (continued)

The change for unamortized securitization costs for the period is as follows:

	$
Securitization costs incurred for the period	110,670
Amount of securitization costs expensed	(142,070)
Net addition to unamortized costs for the period	(31,400)
At March 31, 2015	262,043
At December 31, 2015	230,643

The Company expects to fund a percentage of its loan growth through loan securitization. The Company intends to sell finance receivables to third party Securitizers, in which the Company is not a beneficiary, in order to provide increasing cash resources for loan originations. The Company records cash received from the sale as a financial liability and continues to recognize 100% of the finance receivables.

Upon completion of a sale, servicing of the finance receivables remains the Company's responsibility.

Securitization facilities call for a combination of cash holdback and over collateralization from the purchase price of finance receivables sold to securitizers. The amount of cash holdback is determined at the time of sale based on average loan terms, credit grades, and finance receivable over collateralization. In some cases, a cash holdback and finance receivable over collateralization are used. Utilizing an over collateralization component allows for a lower level of the cash holdback.

The third party Securitizers retain a portion of the proceeds, the "holdback", to reduce their exposure to potential credit losses. The total of the holdback and finance receivables over collateralization is the Company's maximum exposure to impaired loans that have been securitized. The holdback is netted against the securitized debt and is not disclosed separately on the consolidated statements of financial position.

Each of the Company's securitization facilities operates with a loan over collateralization feature which typically ranges 15% to 20%.

	December 31, 2015		**March 31, 2015**	
	$	**%**	**$**	**%**
Finance Receivables - Securitized	98,331,272	42.74%	107,711,091	43.59%
Finance Receivables - Securitized Over Collateralization	17,787,455	7.73%	18,999,408	7.69%
Finance Receivables - Owned	113,926,906	49.52%	120,402,069	48.72%
Total	230,045,633	100.00%	247,112,568	100.00%

Securitized finance receivables

Once the finance receivables are securitized, the Company assigns the underlying finance receivables to the Securitizers. Under the terms of the securitization agreements, the Company is responsible for advancing all scheduled or received principal and interest payments to the Securitizers depending on the facility.

In these securitization transactions the Company retains prepayment risk. Credit loss risk related to the assigned finance receivables is limited to the cash holdback and finance receivables over collateralization. Due to retention of these risks, assigned finance receivables are not derecognized, and the securitization proceeds are accounted for as securitization debt. To protect against the risk of prepayment and credit losses, the Securitizers maintain, in trust, a cash holdback account. The Securitizers have recourse to draw down on the cash holdback balance held by the Securitizers in the event of individual finance receivables default or prepayment. As at December 31, 2015 the total cash holdbacks held by the Securitizers amounted to $5.88M (March 31, 2015 - $7.86M).

9. Securitization (continued)

Finance receivables pledged as collateral

As at December 31, 2015 the carrying value of the Company's finance receivables securitized and pledged as collateral for associated liabilities was $98.33M (March 31, 2015 - $107.71M). These finance receivables were included in finance receivables on the consolidated statements of financial position.

Finance receivables used in securitization activities are pledged against the associated securitization debt. As a requirement of the securitization agreements, the Company assigns, transfers, and sets over to the Securitizers, all of its rights, title, and interest in the specified finance receivables. If the Company fails to make timely payment under the securitization agreement, the Securitizers may take direct control of the finance receivables and assign loan management to a back-up servicer. The Company's liability pertaining to securitization will be extinguished. The Company's risk of loss is limited to the cash holdback account and finance receivable over collateralization.

10. Unsecured debentures

Unsecured debentures amounting to $11.82M (March 31, 2015 - $11.50M) issued by the Company are non-redeemable to the note holder within the specific terms. Maturity dates vary from April 1, 2016 to December 1, 2018 and bear monthly interest expense at annual rates of 7.0%, 8.0%, and 9.0%. The debentures are subordinated in favour of the registered senior debt lenders. During the period, total unsecured debentures amounting to $1.81M matured of which $1.05M were rolled over and new debentures amounting to $1.08M were issued for 36 month terms. The Company must meet certain financial covenants and report to the debenture holders on a quarterly basis. As at December 31, 2015 and throughout the period, the Company was in compliance with all covenants.

Summary of debenture activity are as follows:

	December 31, 2015	**March 31, 2015**
	$	**$**
7% debentures outstanding	120,000	1,520,000
8% debentures outstanding	8,145,000	6,130,000
9% debentures outstanding	3,550,000	3,850,000
Unsecured debentures, at period end	11,815,000	11,500,000
Portion issued to related parties at period end **(Note 15)**	3,445,000	2,950,000

The unsecured debentures mature as follows:

	December 31, 2015	**March 31, 2015**
	$	**$**
Less than 12 months	3,270,000	1,805,000
12 - 24 months	4,990,000	5,020,000
Greater than 24 months	3,555,000	4,675,000
	11,815,000	11,500,000

11. Accounts payable and accruals

	December 31, 2015 $	March 31, 2015 $
Payable to securitizers	3,744,309	3,612,929
Accounts payable and accrued expenses	1,001,500	1,517,301
	4,745,809	5,130,230

Accounts payable are non-interest bearing and are normally settled on 30 day terms. Payables to securitizers are normally settled within 30 days.

12. Share capital and contributed surplus

A) Authorized shares

Unlimited number of Common shares, no par value
Unlimited number of Preferred shares, no par value

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series to determine the designation, rights, privileges and conditions attached to the shares of each series.

B) Issued and outstanding

Common Shares	December 31, 2015		March 31, 2015	
	Shares	$	Shares	$
Opening balance, April 1	21,227,483	7,172,566	21,027,483	6,843,302
Stock options exercised	120,000	75,648	200,000	329,264
Closing balance	21,347,483	7,248,214	21,227,483	7,172,566

Contributed surplus

The contributed surplus reserve is used to recognize the fair value of stock options granted to employees, including key management personnel, as part of their remuneration. When stock options are subsequently exercised, the fair value of such stock options in contributed surplus is credited to share capital.

	December 31, 2015 $	March 31, 2015 $
Opening balance	2,632,079	2,052,245
Transfer to share capital on exercise of options	(25,248)	(98,614)
From the vesting of stock based compensation	349,306	678,448
Closing balance	2,956,137	2,632,079

13. Stock based compensation

Stock option plan

The Company has a stock option plan under which directors, officers, employees and consultants of the Company and its subsidiary are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any optionee shall not exceed 5% of the outstanding common shares of the Company. Options granted under the plan generally have a term of five years but may not exceed ten years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option shall be determined by the directors at time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

During the nine month period, the Company issued no options to officers and directors (December 31, 2014 – 487,000 options to officers and directors).

	December 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding at beginning of period	1,530,334	3.59	1,183,334	2.25
Granted	-	-	487,000	5.85
(Exercised)	(180,000)	0.42	(140,000)	1.47
Outstanding at end of period	1,350,334	3.87	1,530,334	3.47
Exercisable at end of period	795,084	2.84	758,334	1.58

The total outstanding number of options are 6.33% (December 31, 2014 – 7.23%) of the number of shares outstanding at nine month period ended.

A summary of the status of the Company's stock options outstanding at December 31, 2015 is as follows:

Date issued	# Granted and oustanding	# Vested	Exercise price	Expiry date
5-Jul-11	160,000	160,000	0.97	5-Jul-16
11-Jul-11	65,000	65,000	1.00	11-Jul-16
2-May-12	25,000	25,000	1.29	2-May-17
6-Jul-12	233,334	233,334	1.95	6-Jul-17
19-Jun-13	380,000	190,000	4.40	19-Jun-18
18-Jun-14	487,000	121,750	5.85	18-Jun-19
Total	1,350,334	795,084		

13. Stock based compensation (continued)

The Company recognized a stock based compensation expense of $349,306 during the period ended December 31, 2015 (December 31, 2014 - $501,299). The Company uses the fair value method of accounting for stock based compensation to employees and directors. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital. The weighted average remaining life of the options is 2.32 years. The table includes assumptions used in the Black Scholes model to value options granted during the period.

	December 31, 2015	December 31, 2014
Fair value at grant date	$ -	$ 2.19
Exercise price	$ -	$ 5.85
Stock price	$ -	$ 5.85
Risk free interest rate	-	1.31%
Expected lives (years)	-	3.98
Expected volatility	-	47%
Dividend yield	-	-
Forfeiture estimate	-	6.7%

Expected volatility is based on historical data of the Company

Options are granted with a 5 year life with full vesting ranging up to 48 months. No options were issued in the period.

The weighted average share price at the date of exercise for share options exercised as of December 31, 2015 was $2.19 (December 31, 2014 – $6.10).

14. Earnings per share

The calculation of basic earnings per share for the nine months ended December 31, 2015, was based on the profit available to common shareholders of $3,645,212. (December 31, 2014 – $3,756,643), and a weighted average number of common shares outstanding of 21,331,228 (December 31, 2014 – 21,106,901). The calculation of the diluted income per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The dilutive effect of outstanding options and their equivalents is reflected in diluted earnings per share by determining the cash to be received from the exercise of outstanding dilutive options and warrants which is then deemed to be applied to the repurchase of common shares at the average market price for the reporting period. Weighted average number of common shares is calculated as follows:

	Three months ending		Nine months ending	
	December 31, 2015 Shares	December 31, 2014 Shares	December 31, 2015 Shares	December 31, 2014 Shares
Weighted average number of shares outstanding	21,347,483	21,167,483	21,331,228	21,106,901
Effect of potential dilutive securities due to stock options	128,544	513,287	184,688	583,383
Weighted average number of shares outstanding for use in determining diluted income per share	21,476,027	21,680,770	21,515,916	21,690,284

15. Related party disclosures

During the nine month period, related parties were holders of unsecured debentures in the Company. The terms offered to related parties for the unsecured debentures are identical to those offered to non-related party debenture holders.

At period end, the total unsecured debentures held by related parties is $3.45M (March 31, 2015 - $2.95M). None of the related parties are officers or directors. The related parties are comprised of relatives of certain officers and employees of the Company who currently hold $1.97M (March 31, 2015 - $1.52M) in debentures with varying terms. In addition, $1.48M (March 31, 2015 - $1.43M) in debentures with varying terms is held by relatives and companies related to a non-management insider. These transactions are in the normal course of business and consideration established and agreed to by the related parties is at arm's length. Total interest paid to related parties in the period was $0.19M (December 31, 2014 - $0.14M).

Compensation of key management personnel

The remuneration of key management personnel, which includes executives, during the nine month period ended was as follows:

	December 31, 2015 $	December 31, 2014 $
Compensation, including bonuses	551,288	727,914
Stock based compensation	252,198	359,915
Total	803,486	1,087,829

The Company has three independent directors. Each independent director receives an annual retainer of $20,000 and an additional $5,000 for Chairman of the Board and $3,000 for Committee Chairman positions held. Independent directors received meeting fees of $750 per day and reimbursement of normal travel expenses. The fees paid to independent directors totaled $78,000 (December 31, 2014 - $66,750) in addition to normal itemized expense reimbursement. The stock based compensation expense for the independent directors during the nine month period was $97,108 (December 31, 2014 – $139,155)

16. Capital management

The Company's capital is comprised of bank borrowing, securitization debt, unsecured debentures and equity in order to fund the origination of vehicle finance receivables. The condensed consolidated interim financial statements do not include all capital management information and disclosures as required in the annual consolidated financial statements, they should be read in conjunction with the Company's annual consolidated financial statements as at March 31, 2015.

17. Financial instruments and risk management

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the financial instruments that are carried on the consolidated financial statements at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

17. Financial instruments and risk management (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

			December 31, 2015		March 31, 2015	
Financial Instrument Classification	**Fair value level**		**Carrying value** $	**Fair value** $	**Carrying value** $	**Fair value** $
Fair value through profit and loss:						
Cash	(1)		3,668,014	3,668,014	3,715,654	3,715,654
Loans and receivables:						
Finance receivables - net	(3)		230,373,191	(A)	248,947,365	(A)
Other receivables	(1)		256,535	256,535	128,952	128,952
Other financial liabilities:						
Bank borrowing	(1)		80,140,940	80,140,940	84,439,412	84,544,748
Securitization debt	(2)	(B)	118,408,084	119,035,455	131,929,650	133,064,973
Unsecured debentures	(2)	(C)	11,815,000	12,006,129	11,500,000	11,732,743
Accounts payable and accruals	(1)		4,745,809	4,745,809	5,130,230	5,130,230

A) The fair value of finance receivables is calculated by discounting the estimated future cash flows of the portfolio at rates commensurate with the underlying risk of assets, net of a provision for impaired loans, prepayment losses, servicing costs and fees to securitize at the consolidated statements of financial position dates. Management's estimate of fair value is presented as a range of the values. Currently, there is not an organized market for valuing the loan portfolio. The change in discount rate ranges reflects increases or decreases in securitization pricing and provisioning.

	December 31, 2015		March 31, 2015	
	Discount rate	**Fair value** $	**Discount rate**	**Fair value** $
Upper value	5.72%	302,217,687	5.21%	334,541,637
Lower value	8.72%	283,311,524	8.21%	312,776,178

B) The fair value of securitization debt is determined based on an internal valuation model which factors in the time value of money, expected future impaired loans and prepayment rates.

C) The fair value of unsecured debentures is determined based on an internal valuation model which factors in discount rates and future cash flows.

17. Financial instruments and risk management (continued)

Risk management

The Company is exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to these risks. The principal financial risks to which the Company is exposed are described below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company generates indirect auto loans through franchise and independent dealerships in Canada. The target borrowers are of a 'less than prime credit grade', meaning they typically would not be approved for financing at prime rates. These customers may have had credit related problems, less than adequate credit history, or may be purchasing a vehicle that falls outside of prime auto lending guidelines.

For the Company, credit risk arises principally through the Company's finance receivables. Risk exists that the Company's borrowers' actual default rates exceed business model expectations. The Company is at risk of loss of principal and earned interest income. In the segment that the Company operates, some delinquency, impairment of loans, and ultimate credit loss is expected.

The Company manages credit risk in the following ways:

Dealership relationships

The Company believes that, as an indirect lender, the role of the dealership is integral in risk assessment and risk reduction for individual applications. The Company's credit analysts rely on information compiled and communicated by the dealer and as such, a level of trust is required in extending credit on indirect loan applications. It is the Company's philosophy that trust is best established within a relationship based on principles of partnership, fairness, equity, and transparency. It has been the Company's experience that credit performance can vary widely between originating dealerships. It is among the Company's most important principles of underwriting that only trustworthy dealers who share the Company's philosophy be permitted to submit credit applications. In evaluating potential originating dealerships, each dealer has submitted to a detailed due diligence process including review of a detailed dealer profile, financial information, license checks, credit checks, inventory evaluations and one or more 'site visits'. The Company and its dealers are bound by an agreement, which gives the Company certain charge back remedies.

The Company will only accept applications submitted by approved dealerships. Specific criteria for dealership enrolment must be met.

Credit adjudication

The Company maintains certain minimum standards that are required in order to extend credit. Applications that fail to meet these minimum standards will result in an immediate decline.

The Company believes that it can extend credit to applicants with non-traditional credit and obtain acceptable returns for shareholders. Applicants are often people of average income, average employment, who drive average vehicles. In compensation for extending credit in higher risk situations, the Company requires higher than prime interest rates on its auto loans.

17. Financial instruments and risk management (continued)

The Company does not currently employ computer generated credit approvals or declines. Each application is manually reviewed by an experienced credit underwriter employee. Significant training, oversight, and evaluation of authorized analysts ensure compliance with the Company's credit policies and procedures.

Credit policies and procedures

The Company employs a detailed credit policy which is the broad policy for underwriting of its non-traditional auto loans. Within the policy, individual credit programs specify, along with pricing, more restrictive frameworks for granting credit. Individual underwriters are delegated specific authority to grant credit within the policy and within individual programs.

The policy and programs seek to achieve optimal pricing and predictable credit performance for the Company's finance receivable assets. Factors that are assessed during the underwriting process include applicants' credit history, income type and history, current financial ratios, vehicle age and condition, and the structure of the proposed consumer loan including price and down payment.

Vehicle purchases

The Company believes that the nature of the vehicles financed at the dealership is material to evaluating the likelihood of successful loan performance. Loan approval terms such as rate, down payment, and interest rates vary, to some degree, based on the age, mileage, and condition of the vehicle financed.

Concentration

The Company's portfolio of finance receivables contains thousands of individual consumer obligations that each carries a relatively small proportionate balance.

In the event of significant changes to regional economic situations, geographic concentration may influence ultimate credit performance. The geographic distribution of the Company's loan portfolio is as follows:

December 31, 2015	**Western Canada**	**Eastern Canada**	**Total**
Finance Receivables [1]	$ 152,700,958	$ 77,344,675	$ 230,045,633
Percentage of Finance Receivables	66%	34%	100%

March 31, 2015	**Western Canada**	**Eastern Canada**	**Total**
Finance Receivables [1]	$ 169,825,053	$ 77,287,515	$ 247,112,568
Percentage of Finance Receivables	69%	31%	100%

[1] Finance Receivables reported here are before provisions for impairment and unamortized origination costs but include accrued interest.

17. Financial instruments and risk management (continued)

Exposure to credit risk

The Company's maximum exposure to credit risk is represented by the carrying amount for cash, other receivables, and finance receivables. For the Company, collateral risk exists that in the event of borrower default, the realized value of the vehicle security is insufficient to pay off the entire loan without shortfall. In the auto lending industry in Canada, vehicles are typically financed for their retail transaction price and, if seized for default, are liquidated at their wholesale value. In addition, automobiles depreciate over time.

As each automobile loan progresses, the vehicle asset depreciates and the borrower's principal amount owing reduces. The Company does not finance transactions with lump sum residual values or balloon payments. A vehicle's scheduled depreciation in value corresponds with the declining loan principal with the vehicle's value exceeding the loan principal.

In the event of vehicle liquidation, the Company typically has a shortfall (credit loss). Risk exists that the average shortfall rate (loss severity) is greater than anticipated.

The Company has a credit model that assumes the vast majority of vehicle security assets do not need to be realized due to default while managing exposure to loss severity.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities, and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable requirements.

As at December 31, 2015, the Company's undiscounted cash flows from finance receivables principal and interest payments (no provision has been made for credit losses or prepayments) are receivable as follows:

	Less than one year	**1- 2 years**	**After 2 years**	**Total**
	$	**$**	**$**	**$**
Gross finance receivables	74,909,181	135,932,793	132,565,824	343,407,798

In addition to working capital, the Company utilizes debt and securitization as sources of funds for originating finance receivables. Certain debt providers have a general assignment over corporate assets and require that the Company maintain financial covenants. Failure to maintain these financial covenants could result in cancellation and demand of the debt facilities.

Management believes that its existing credit lines, securitization facilities and operational cash flow are sufficient to meet its business plan. Management expects that any actual capital shortfall would be met with additional unsecured debentures or an issuance of common shares.

17. Financial instruments and risk management (continued)

As at December 31, 2015, the Company's financial obligations are due as follows:

	Less than one year	1- 2 years	After 2 years	Total
	$	$	$	$
Bank Borrowing [3]	80,140,940	-	-	80,140,940
Securitization debt [1]	33,844,638	31,063,391	63,283,790	128,191,819
Unsecured debentures [2]	4,117,152	5,408,048	3,680,632	13,205,832
Accounts payable and accruals	4,745,809	-	-	4,745,809
	122,848,539	36,471,440	66,964,422	226,284,400

(1) Securitization debt is presented as the total stream of payments less the offset of the cash holdback released in the corresponding period. No provisions have been made for credit losses or loan prepayments.

(2) Unsecured debentures are presented with the interest expense due in the corresponding period.

(3) Bank borrowing is before unamortized transaction costs.

Interest rate risk

Finance receivables, securitization debt and unsecured debentures payable bear interest at a fixed rate and are not subject to interest rate risk, as a result of changes in market rates.

The bank borrowing bears interest at a floating rate. The floating rate debt is subject to interest cash flow risk as the required cash flows to service the debt will fluctuate as a result of changes in market rates. Fluctuation in interest rates on bank borrowing by +/-50 basis point, can impact the net income by +/- $400,705, on gross borrowing balance of $80,140,940 as at December 31, 2015.

Once a new securitization tranche is sold, the discount rate is fixed for the life of the tranche. The premium over benchmark bond rates, for new tranches, on two of the nine securitization facilities, are reset quarterly. As a result, the Company is subject to interest rate risk on quarterly market fluctuations in the benchmark bond rates for future tranches of loans to be securitized. The Company is exposed to interest rate price risk on its fixed rate securitization debt resulting from changes in fair value from market fluctuations in interest rates.

Counterparty risk

The Company is susceptible to counterparty risk on their holdback account on securitized loans. The possibility exists that the counterparty will default on its obligation under the securitization agreement and the Company will have no recourse or rights against the assets of the counterparty.

Foreign exchange risk

The Company does not have significant exposure to foreign currency risk.

18. Segment reporting

The Company operates in Canada and has one operating segment. The accounting policies of the segment are the same as those as reported in the Company's most recent annual financial statements for the year ended March 31, 2015.

19. Commitments

The Company has entered into a 5 year lease commitment for its business premises commencing December 1, 2011 and expiring November 30, 2016. The monthly payment schedule for the remainder of 2016 is $31,513.

The Company is responsible for software hosting commitment that has fixed fees of $10,735. The commitment renews annually in April.

The Company is responsible for software hosting commitment that has fixed fees of $5,500. The commitment expires in January, 2018.

The Company is responsible for annual maintenance fees of $35,000 for a software license.

The Company is responsible for annual standby servicer fees of $15,000.

20. Subsequent event

Effective February 1, 2016, the Mountain View Credit Union Syndication facility reduced from $50M to $45M as one of the smaller syndicate partner withdrew from the facility.

21. Reclassification of comparative figures

The Company changed its cash flow presentation and reclassified its funds advanced on finance receivables, principal collections of finance receivables and origination costs - net from investing activities to operating activities to reflect the principal revenue-producing activity of the Company, which are its finance receivables. Cash interest paid has been reclassified from financing activities to operating activities. These changes were made to conform to the presentation adopted as at December 31, 2015. The Company believes that disclosing these reclassifications provide more reliable and relevant information. This change has no impact on the Company's consolidated statements of financial position, reported net financial income, total net income, and net earnings per share or total comprehensive income.

For the period ended December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the condensed consolidated interim financial statements for the period ended December 31, 2015 and the notes thereto. Historical results should not be taken as indicative of future operations. The information in this report is up-to-date as of February 10, 2016.

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Additional information is also available on the Company's website [www.rifco.net] and all previous public filings are available through SEDAR [www.sedar.com].

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Cautionary statement

This Management's Discussion and Analysis report may contain certain forward-looking statements, including statements regarding the business and anticipated financial performance of Rifco Inc. The users of forward-looking statements are cautioned that actual results may vary from the forward-looking information. The Company is subject to material risk factors that could cause actual results to differ materially from the forward looking statements. The Company is subject to two main material risks, that being loan performance and access to capital. All future looking statements are made with the assumption that loans will continue to perform as they have in the past and that the Company will continue to have access to reasonably priced capital in amounts sufficient to execute its business plan. When future looking statements are made they will be updated within the normal course of quarterly and annual financial statements. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Description of Non-IFRS Measures

Throughout this Management's Discussion and Analysis (MD&A), management uses terms and ratios which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers; therefore description has been provided in the MD&A. These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. For clarity, specifically defined non-IFRS measures are capitalized throughout this document.

For the Description of Non-IFRS Measures please refer to pages 23-25.

Rifco Overview

Rifco Inc. (Rifco, Company), operating through its subsidiary Rifco National Auto Finance Corporation, is engaged in vehicle finance. Rifco specializes in building long-term partnerships with vehicle dealers by investing time in personalized services through dedicated account managers. Rifco's quick credit decisions, common sense lending, and expedited funding processes provide its dealer's with better financing options and more closed deals.

The Company operates in all provinces except Quebec. The Company and its subsidiary are incorporated under the laws of Alberta with its head office situated in Red Deer, Alberta.

Rifco trades its common shares on the TSX Venture Exchange under the symbol "RFC" and is a tier 1 issuer. Since commencing lending operations in February of 2002, the Company has lent over $690 million.

Strategic Perspective

The Company manages two main strategic risk factors. Firstly, the Company must possess competencies that drive acceptable credit performance. Secondly, the Company must maintain access to reasonably priced and appropriately structured capital and borrowings in order to fund its lending operations.

Rifco remains steadfast in originating Finance Receivables that it believes can achieve acceptable credit performance levels and profit margins. As margins are affected by funding rates and expected credit performance, the Company adjusts targeted Origination levels, credit requirements, and lending rates while maintaining market continuity. Rifco will not pursue a strategy of seeking to increase its market share at the expense of unsustainable credit performance. Rifco management believes that its Credit Model will continue to produce sustainable loan performance results over normal economic cycles.

The Company funds its Finance Receivables through Bank Borrowing and Securitization. Rifco maintains strong funding relationships and has been able to receive increased levels of funding capacity as needed.

Market Perspective

The majority of Canadians finance their vehicle purchases. A significant portion of Canadians will require non-prime financing for these purchases.

Rifco's major competitors are two large Canadian banks that currently control a large portion of the non-prime ("B" & "C" credit) market in Canada. Rifco's market niche has become increasingly competitive as participants work to defend their market share. Other smaller entrants have arrived in recent years and their aspirations to gain market share have been put under pressure as loan pricing industry wide moves lower. Overall competition has resulted in greater credit risk being taken and lower risk adjusted yields.

The Company remains focused on credit quality and deepening relationships with our growing network of loyal dealers. Rifco is enhancing its competitive service advantage through improved convenience of funding, industry leading speed in application adjudication and its Fast Forward 500 loyalty program. Rifco will maintain its disciplined underwriting and focus on quality in this competitive market.

Rifco continues to regularly enroll new dealer partners while working to increase loan Origination penetration with our existing loyal dealer partners.

The Canadian economy is demonstrating a low GDP growth rate. The short and medium term outlook is uncertain due to the regional, national, and global economic challenges. Employment has been stable in recent years. However, with the rapid drop in energy prices, Alberta unemployment rates have rapidly increased. Rifco's loans are currently distributed 66% (69% - Dec-14) in Western Canada and 34% (31% - Dec-14) in Eastern Canada.

Key Period-to-Date Performance Measurement

Please note the Company results as reported against the specific objectives press released on June 11, 2015.

1. **Achieve Loan Originations between $100M - $120M**
   Loan Originations for the first nine months reached $68.33M. **Progress to target 68%.**

2. **Achieve Finance Receivables between $225M - $260M**
   Finance Receivables for the first nine months are $230.05M. **On target.**

3. **Achieve revenue of between $38M - $42M**
   Revenue for the first nine months totalled $28.66M. **Progress to target 75%.**

4. **Achieve Credit Loss Rate between 4.50% - 4.75%**
   Year to date annualized Credit Loss Rate of 4.81%. **Above Target.**

5. **Achieve earnings per share of $0.30 - $0.35.**
   Earnings per share for the first nine months are $0.171. **Progress to target 57%.**

Financial Capacity

Rifco's Origination and Servicing Platform is its most valuable asset. The ability to leverage this Platform requires the financial capacity to employ appropriately priced and structured funding.

To fund the Origination of a growing level of Finance Receivables, the Company uses a Bank Borrowing facility of $100M and three Securitization Facilities totaling $160M. The Company's combined credit facilities total $260M of which there was $141M in remaining capacity at period end.

Facility Availability Summary

($, 000's)	Limit	Utilized	Available	Renewal Date
Bank Borrowing [(1)]	100,000	85,141	14,859	2-Nov-16
Securitization - Securcor Trust [(2)(4)]	80,000	5,820	74,180	31-May-16
Securitization - Mountain View Credit Union [(3)]	50,000	28,176	21,824	Non-Expiring
Securitization - Canadian Schedule 1 Chartered Bank[(2)(4)]	30,000	-	30,000	31-Oct-16
Total active facilities	260,000	119,137	140,863	
Securitization - closed facilities [(5)]	89,576	89,576	-	
Total	349,576	208,713	140,863	

[(1)] Revolving Bank Borrowing facility. Utilized includes $5M in letters of credit.

[(2)] New allocation of capacity provided upon facility renewal.

[(3)] Revolving Securitization Facility.

[(4)] Calculated as the sum of amounts advanced, does not include repayments, and does not equal Securitization Debt.

[(5)] Reported as the Securitization Debt that is now removed from facility utilization. Closed facilities amounts are unavailable for future use.

The Company has Unsecured Debentures outstanding of $11.82M. Unsecured Debentures are term agreements for 2, 3, or 4 years with various interest rates and maturity dates. Maturing debentures are often reissued for successive terms at maturity.

The Company regularly securitizes loans in order to free up Bank Borrowing capacity, increase working capital and match funding.

Management determines Securitization transaction levels by weighing a number of factors, some of which are as follows:

- Growth rate of Originations
- Availability of Bank Borrowing margin and working capital to finance current assets
- Securitization pricing in context of other financing alternatives
- Income tax impact

Results of Operations

The Results of Operations should be read in conjunction with the condensed consolidated interim financial statements for the period ended December 31, 2015. The results of operations and its cash flows for the year are presented in accordance with IFRS.

	Nine months ended		Twelve months ended	
	December 31, 2015	December 31, 2014	March 31, 2015	March 31, 2014
($,000's except per share)				
Revenue	28,656	28,904	39,002	30,260
Net Income	3,645	3,757	5,928	6,378
Total assets	244,079	264,613	260,275	211,224
Total liabilities	215,110	242,062	235,350	193,137
Equity	28,969	22,551	24,924	18,087
Earnings per share - Basic	$ 0.171	$ 0.178	$ 0.281	$ 0.305
Earnings per share - Diluted	$ 0.169	$ 0.173	$ 0.274	$ 0.295

The Company is reporting the following results over the prior year:

	For the three months period ended December 31, 2015	December 31, 2014	
($,000's except ratios and per share)			
Total financial revenue	9,199	10,303	Decreased 11%
Net Income	754	812	Decreased 7%
Originations	21,980	38,511	Decreased 43%
Finance Receivables	230,046	251,217	Decreased 8%
Earnings Per Share	$0.171	$0.178	Decreased 4%
Return on Equity	11.05%	14.73%	Decreased
Credit Losses	3,273	2,718	Increased by $555K
Operating Expenses	2,692	2,222	Increased 21%
Net Portfolio Yield	16.00%	16.95%	Decreased
Average Interest Expense	4.55%	4.80%	Decreased (Improved)
Average (12 month rolling) Credit Loss Rate	4.60%	3.80%	Increased (Worsened)
Delinquency Rate	5.86%	5.21%	Increased (Worsened)
Operating Expense Ratio	4.68%	3.65%	Increased (Worsened)

The Company posted Originations of $21.98M down from $38.51M, a 43% decrease from the same quarter in the prior year and down 9% from $24.05M in the preceding quarter. The Originations in Q3 are often seasonally lower with Q4 being our largest Origination quarter. Given the current economic climate that may not be the case this year. Management anticipates that it will not be able to achieve its annual Origination targets this year.

The Finance Receivables decreased by 8% to $230.05M from $251.22M in the comparable quarter and decreased 3% from $236.24M in the prior quarter.

The total financial revenue has decreased by 11% to $9.20M from $10.30M in the same quarter of the prior year and decreased by 4% from $9.54M in the prior quarter.

The Company is reporting Net Income of $0.75M, a decrease of $0.06M from the comparable quarter of $0.81M. Rifco reported earnings per share (EPS) in the period of $0.035, a decrease from $0.038 from the comparable quarter.

The Company is reporting its 27th consecutive profitable quarter. The investment of these profits has reduced the Company's leverage ratios to record lows. Reducing leverage normally implies improving Company safety and strength.

The Company is experiencing aggressive competition in the non-prime auto sector. Rifco's main competitors are loosening documentation requirements, reducing underwriting standards and are pricing risk aggressively. The Company believes that some of the pricing witnessed may be unprofitable and ultimately unsustainable. Rifco management believes that its Credit Model will continue to produce sustainable loan performance results over normal economic cycles.

As the result of a continuing competitive environment in Rifco's lending niche, and the Company's focus on maintaining average credit quality, the Company experienced a reduction in the Net Portfolio Yield on new loans granted. The Net Portfolio Yield on average Finance Receivables has decreased to 16.00% from 16.20% in the prior quarter and from 16.95% in the comparable period.

Rifco will continue to work actively to develop new initiatives that it expects to positively affect loan Originations while maintaining the Company's focus on loan credit quality.

The Average Interest Expense decreased to 4.55% from 4.80% from the comparable quarter in the prior year and increased slightly from 4.54% in the prior quarter.

The Delinquency Rate increased to 5.86% compared to 5.21% in the same quarter of the prior year and increased 0.65% from 5.21% in the preceding quarter. The Delinquency Rate is currently higher than the Company's typical seasonal ranges of between 3.00% and 4.00%.

Unemployment rates in Alberta have recently increased. As a result, the Company previously provided additional Collective Provisioning for Impairment on loans granted in Alberta before December 31, 2014. Management conducted detailed reviews of its credit underwriting processes and made adjustments to reflect the increased employment risk in Alberta. Loans granted after December 31, 2014 were granted reflecting credit underwriting in the current environment. Included in the total is a Collective Provisioning for Impairment which is applied against certain non-delinquent Alberta loans where "there are observable changes to the external economic environment that can meaningfully change the likelihood of scheduled repayment." The Company has a Collective Provision for Impairment in the period of $1.24M in response to a perceived increased risk to a certain vintage of the Company's Alberta borrowers.

Currently 42% of Finance Receivables are located in Alberta which is a reduction from 47% one year ago. The Company continues to focus on greater diversification of new Originations. The Delinquency on Alberta Finance Receivables is higher than the national average. The increased national Delinquency Rate at 5.86%, is largely due to this provincial weakness. The Company expects that, over time, the impact of Alberta's weak credit performance will diminish as the concentration of Alberta Finance Receivables declines and the Alberta economy stabilizes.

In the period, the Company decreased its Specific Provision for Impairment of current loans to $0.68M for modified loans (loans for which the original terms of the contract have been changed) from $0.92M in the prior quarter. Loans that have been modified but are not in arrears, are deemed impaired until the borrowers' ability to maintain the modified contractual repayment has been re-established. The Company saw some modified loans meet a re-establishment standard in the quarter. Re-established modified loans may be subject to a Specific Provision for Impairment in the future if they become Delinquent.

The Average (12 month rolling) Credit Loss Rate increased to 4.60% from 3.80% in the comparable quarter and has increased from 4.30% in the prior quarter. The Annualized Credit Loss Rate for the quarter is 5.66% and 4.81% for the nine month period, an increase from 3.92% in the comparable nine month period.

Credit Losses, including costs and net of recoveries, are $3.27M in the quarter, an increase from $2.72M in the comparable quarter and $3.02M in the prior quarter.

Operating Expenses increased to $2.69M from $2.22M from the comparable quarter and from $2.52M in the prior quarter. The Operating Expense Ratio increased to 4.68% compared to 4.29% in the prior quarter and 3.65% in the comparable quarter. The increased number of Delinquent loans has increased the Company's collection and servicing requirements. The expense associated with additional internal and external servicing staff represents the increased Operating Expenses. A reduction in Delinquency levels could have a positive effect on reducing the Operating Expense Ratio in the future.

Management believes that ongoing infrastructure investments and benefits of increasing scale will ultimately result in improving operating efficiency. This will be reflected in continued improvement in Operating and Efficiency Ratios over time.

Rifco is in regular contact with all of its funders and remains optimistic regarding the availability of increasing amounts of Bank Borrowing and Securitized Facilities as needed. The Company currently has over $141M in facility availability for deployment when the current lending environment improves.

The Company's management is focused on returning its credit performance to previous levels. Predictable credit performance is imperative to achieving the Company's long term vision of $500M in annual loan Originations.

Comparative Results for Period

All income and expense items are measured against the average outstanding Finance Receivables in the period.

	Three months periods ended				Nine months periods ended			
		December 31, 2015		December 31, 2014		December 31, 2015		December 31, 2014
		% of Finance Receivables		% of Finance Receivables		% of Finance Receivables		% of Finance Receivables
($,000's except ratios and per share)								
Average Finance receivables for the period	230,030		243,186		235,717		225,940	
Financial revenue								
Interest Income	8,896	15.47%	10,077	16.58%	27,802	15.73%	28,380	16.75%
Administration and other fees	303	0.53%	226	0.37%	854	0.48%	524	0.31%
	9,199	16.00%	10,303	16.95%	28,656	16.21%	28,904	17.06%
Financial expenses								
Interest expenses	2,426	4.22%	2,761	4.54%	7,475	4.23%	7,723	4.56%
Net Financial Income before Provision For Impairment and Credit Losses	**6,773**	**11.78%**	**7,542**	**12.41%**	**21,181**	**11.98%**	**21,181**	**12.50%**
Provision for Impairment and Credit Losses	2,792	4.86%	3,755	6.19%	8,455	4.78%	8,855	5.23%
Repossession and recovery costs	264	0.46%	193	0.32%	561	0.32%	572	0.34%
	3,056	5.32%	3,948	6.51%	9,016	5.10%	9,427	5.57%
Net financial income before operating expenses	**3,717**	**6.46%**	**3,594**	**5.90%**	**12,165**	**6.88%**	**11,754**	**6.93%**
Operating expenses								
Wages and benefits	1,799	3.13%	1,390	2.29%	5,305	3.00%	3,978	2.35%
Professional fees	118	0.21%	55	0.09%	303	0.17%	195	0.12%
Office and general	565	0.98%	503	0.83%	1,516	0.86%	1,520	0.90%
Stock based compensation	93	0.16%	177	0.29%	349	0.20%	501	0.30%
Depreciation and ammortization	117	0.20%	97	0.15%	331	0.19%	184	0.11%
	2,692	4.68%	2,222	3.65%	7,804	4.41%	6,378	3.78%
Income before taxes	**1,025**	**1.78%**	**1,372**	**2.25%**	**4,361**	**2.47%**	**5,376**	**3.15%**
Income tax (expense) - current/future	(272)	(0.47%)	(560)	(0.92%)	(716)	(0.41%)	(1,619)	(0.96%)
Total comprehensive income	**753**	**1.31%**	**812**	**1.33%**	**3,645**	**2.06%**	**3,757**	**2.19%**
Net Income per common share								
Basic	0.035		0.038		0.171		0.178	
Diluted	0.035		0.037		0.169		0.173	

Financial revenue

	Three months ended		Nine months ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
($000's except ratios)				
Statement of Financial Position				
Finance Receivables	230,046	251,217	230,046	251,217
Average Finance Receivables for the period	230,030	243,186	235,717	225,940
Debt outstanding [(1)]	210,364	233,198	210,364	233,198
Average Debt for the period	213,365	229,960	218,527	215,607
Amortization of Origination costs	954	810	2,752	2,250
Statement of Income				
Interest Income	8,896	10,077	27,802	28,380
Administration and other fees	303	226	854	524
Total financial revenue	9,199	10,303	28,656	28,904
Interest Expense	(2,426)	(2,761)	(7,475)	(7,723)
Net Financial Income before Provision for Impairment and Credit Losses	6,773	7,542	21,181	21,181
Ratios				
Gross Portfolio Yield	17.65%	18.28%	17.77%	18.38%
Net Portfolio Yield	16.00%	16.95%	16.21%	17.06%
Average Interest Expense	4.55%	4.80%	4.56%	4.78%

[(1)] Debt includes Bank Borrowing, Securitization Debt and Unsecured Debentures.

Finance Receivables of $230.05 decreased by 8% from $251.22 over the comparable quarter in the prior year. This decrease has contributed in total financial revenue decreasing to $9.20M from $10.30M compared to the same quarter in the prior year, an 11% decrease.

The Gross Portfolio Yield is comprised of the interest, discount, and fees earned before expensing the amortization of Origination costs. Gross Portfolio Yield has reduced to 17.65% from 18.28% in the comparable quarter in the prior year. The Net Portfolio Yield has decreased to 16.00% from 16.95%. Rifco's market niche remains very competitive.

Finance Receivables are comprised of vehicle purchase loans that are generally priced at risk adjusted annual interest rates between 10% and 28%. Rifco does not charge fees to its borrowers at the time of Origination of the Finance Receivables. The Company does collect certain registration fee expenses from borrowers at the time of Originations. The Company collects NSF fees, as earned, during the servicing of Finance Receivables.

The Company is monitoring a pilot "D credit" lending program through limited dealer partners. Finance Receivables within the pilot program represent less than 3% of total Finance Receivables. The program delivers the Company a total yield between 30% and 40%. For the pilot, GPS and starter interrupter devises are required to be installed on each financed vehicle. The dealer partners pay a discount fee to the Company for each loan in the pilot program.

Financial expenses

Interest Expense includes interest paid on Bank Borrowings, Securitization Debt, and Unsecured Debentures and fees paid on Bank Borrowing.

The Average Interest Expense improved to 4.55%, a decrease from 4.80% from the comparable quarter in the prior year. The Company has benefited by funding its loan originations with its Bank Borrowing facility and reducing benchmark bond rates which reduces the effective Interest Expense on new Securitization Tranches.

Operating expenses

Operating expenses increased by 21% to $2.69M from $2.22M from the comparable quarter in the prior year. The Operating Expense Ratio increased to 4.68% compared to 3.65% from the comparable quarter in the prior year.

The Company added 7 new full time equivalent employees since the same quarter in the prior year. The Company began using an outsourced collection firm in Q4-15 to supplement the efforts of its internal portfolio services staff. The collection firm has been full engaged for the nine month period and all related costs are reported as wages and benefits. These additions were made in order to accommodate an increase in Delinquency. As a result, the Company is reporting an increase of 29% in wages and benefits paid over the comparable period and less than 3% increase over the prior quarter.

Summary of Quarterly Results

For the periods ended	**2016**			**2015**				**2014**	
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
($,000's except per share & ratios)									
Finance Receivables	230,046	236,242	241,421	247,113	251,217	237,721	219,405	199,615	179,093
Total assets	244,079	248,374	254,811	260,275	264,613	251,148	232,929	211,224	189,859
Total liabilities	215,110	220,252	227,671	235,350	242,062	229,586	213,329	193,137	173,706
Shareholders' equity	28,969	28,123	27,140	24,924	22,551	21,562	19,600	18,087	16,153
Book Value per Share	$ 1.36	$ 1.32	$ 1.27	$ 1.17	$ 1.07	$ 1.02	$ 0.93	$ 0.86	$ 0.77
Stock price	$ 1.63	$ 2.25	$ 3.45	$ 1.98	$ 3.72	$ 5.92	$ 6.11	$ 5.05	$ 6.90
For the Period:									
Finance Receivables originated	21,980	24,049	22,297	21,761	38,511	42,643	42,862	40,025	25,277
Total financial revenue	9,199	9,535	9,921	10,098	10,303	9,745	8,856	8,033	7,694
Net Income before taxes	1,026	1,253	2,083	2,781	1,372	2,141	1,863	2,322	2,313
Net Income	754	890	2,002	2,171	812	1,575	1,370	1,732	1,672
Income per Common Share:									
Basic	0.035	0.042	0.094	0.103	0.038	0.075	0.065	0.083	0.080
Diluted	0.035	0.041	0.093	0.101	0.037	0.072	0.063	0.080	0.077
Ratios: [(1)]									
Return on Equity	11.05%	12.88%	30.76%	36.59%	14.73%	30.61%	29.08%	40.47%	43.80%
Return on Earning Assets	1.31%	1.50%	3.31%	3.51%	1.34%	2.77%	2.64%	3.71%	3.82%
Net Portfolio Yield	16.00%	16.20%	16.40%	16.33%	16.95%	17.16%	17.03%	17.21%	17.59%
Average Interest Expense	4.55%	4.54%	4.60%	4.65%	4.80%	4.80%	4.72%	5.11%	5.14%
Average (12 month rolling) Credit Loss Rate	4.60%	4.30%	4.07%	3.95%	3.80%	3.56%	3.30%	3.28%	3.17%
Delinquency over 30 days	5.86%	5.21%	5.17%	5.11%	5.21%	4.06%	3.98%	3.10%	3.63%
Operating Expense Ratio	4.68%	4.29%	4.28%	4.12%	3.65%	3.70%	3.95%	3.89%	3.92%
Financial Leverage Ratio	7.14	7.56	8.04	8.99	10.21	10.15	10.39	10.25	10.35
Leverage Ratio	8.43	8.83	9.39	10.44	11.73	11.65	11.88	11.68	11.75
Efficiency Ratio	29.25%	26.47%	26.09%	25.22%	21.57%	21.56%	23.20%	22.60%	22.30%

(1) Percentages have been annualized

Asset Review

Finance Receivables

Total assets decreased by $16.19M, or 7%, from $260.27M at March 31, 2015 to $244.08M at period end. Finance Receivables of $230.05M decreased by 7% from $247.11M at March 31, 2015.

The Company originates Finance Receivables from credit applications submitted by approved dealers. All Finance Receivables are installment loan obligations with a fixed interest rate and term. All Finance Receivables are secured by motor vehicle collateral and are registered with the applicable provincial personal property registry. At period end, the Company has 12,596 loans of which 66% were in Western Canada and 34% in Eastern Canada.
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	For the periods ended			
	December 31, 2015		March 31, 2015	
($,000's except ratios)				
Finance Receivables - Securitized	98,331	42.75%	107,711	43.59%
Finance Receivables - Securitized (Over Collateralization)[1]	17,788	7.73%	18,999	7.69%
Finance Receivables - Owned	113,927	49.52%	120,402	48.72%
Total	230,046	100.00%	247,112	100.00%

[1] In some cases, additional Finance Receivable collateral is provided as Over Collateralization security to Securitizers.

Cash Holdback and Over Collateralization in Finance Receivables Securitized

Various Securitization agreements call for a combination of Cash Holdback and Over Collateralization from the purchase price of Finance Receivables sold to Securitizers. The amount of Cash Holdback is determined at the time of sale based on, average loan terms, credit grades, and Finance Receivable Over Collateralization. In some cases, a Cash Holdback and Finance Receivable Over Collateralization are used. Utilizing an Over Collateralization component allows for a lower level of the Cash Holdback. This reduces the Company's Interest Expense.

At period end, the total Cash Holdback was $5.88M compared to $8.76M from the comparable quarter in the prior year. During the period, the Company received Cash Holdback releases of $1.94M compared to $2.06M compared to the same quarter in the prior year. Funds in the Cash Holdback are restricted cash as they are subject to a number of predetermined formulas and financial covenants. Cash releases increase the Company's working capital position.

The Cash Holdback and Over Collateralization is the maximum exposure for the Company to Credit Losses on Securitized Finance Receivables.

Each of the Company's Securitization Facilities feature loan Over Collateralization. The ratio of Over Collateralization is typically 15%, resulting in only a fraction (85%) of the Finance Receivable stream being Securitized. As payments are collected from borrowers, the Company is obligated to remit 85% of each payment to the Securitizer. The remaining 15% of the collected payments are retained by the Company.

In the event that the Company breached its facility covenants, or if the Cash Holdback fell below the required 9.0% (applicable for facilities which have a requirement for cash holdback) of the total debt in the Securitization Facility, the Company would be required to remit the borrowers' entire monthly payment (100%) to the Securitizer. Under this scenario, the Company's 15% share of each borrower's payment would be deposited into a Cash Holdback account until the facility default is resolved or the 9.0% threshold is met.

The following table shows the effect that the total Cash Holdback has on the Securitized Debt.

	For the periods ended	
	December 31, 2015	March 31, 2015
($,000's)		
Total Securitization Debt	124,287	139,787
Total Cash Holdback	(5,879)	(7,857)
Securitized Debt	118,408	131,930

Origination costs

When the Company originates a Finance Receivable, certain expenses are incurred. These expenses include commission paid to dealers, security registration, credit reports obtained, internet portal costs, and vehicle valuation reports. The largest of these expenses is the commission payments paid to dealers. The Origination expenses are amortized over the life of the Finance Receivable and are netted against Interest Income.

Deferred income tax asset

The Securitization of the Finance Receivables does not meet IFRS de-recognition criteria. As such, no gain on sale is recognized under IFRS. However, the Securitization transaction still gives rise to a taxable gain on sale event. The temporary timing difference between IFRS income and taxable income is recognized as an increase in the Company's deferred income tax asset.

Provision for Impairment and Credit Losses

Rifco is a finance company focused in the non-prime credit niche. Accordingly, Credit Losses are budgeted as a significant expense. Management believes it has originated a portfolio of Finance Receivables that will generate Interest Income sufficient to compensate for the underwriting risk and to maintain a positive profit margin. Credit Losses are a trailing indicator of credit quality. The impact of credit underwriting policy may not be fully observed for up to 24 subsequent months.

The 'as incurred' method is used in order to determine Provision for Impairment of Finance Receivables.

From time-to-time, Finance Receivables, within Rifco's portfolio, are observed to have decreased in value due to a reduced likelihood of repayment as scheduled. When an event, or a group of events, impacts the scheduled cash flows, such Finance Receivables are deemed to be impaired. There is no reported Provision for Impairment as a result of future looking events. This decrease in value for impaired Finance Receivables is reported as a Provision for Impairment.

The resulting Provision for Impairment decreases the reported value of the impaired loans to equal the reduced present value of the estimated future cash flows. Identification of Finance Receivable impaired is made on both a collective and specific basis.

Provision for Impairment are based on observed changes in the Imminent Default Rate and on observed changes in the expected Default Severity Rate. It is noteworthy that during various stages of the economic cycle, the Company has observed that the Imminent Default Rate has shown significant volatility while the Default Severity Rate has been more consistent.

In the last 12 months the Company has seen a reduction in the Default Severity Rate as a result of better remarketing practices, strong demand for used vehicles and the low exchange rate on the Canadian dollar.

Specific Provisioning for Impairment

The Finance Receivables carry monthly payment obligations and as a result, the Company receives new information on virtually every Finance Receivable, every month. The ongoing financial capacity and ongoing willingness of the Company's borrowers is communicated, and is best assessed, by their recent payment record of fulfilling their financial obligations. From time-to-time an individual Finance Receivable within the Company's portfolio falls behind on their payment obligation. In

these cases the Company believes that the likelihood of the Finance Receivable being repaid, as scheduled, has decreased and the value of the Finance Receivable has become impaired.

The Company employs a detailed model in order to determine the Specific Provision for Impairment. In this model, Finance Receivables are allocated into categories based on days past due. For each level of payment days past due, estimates of the expected Imminent Default Rate and the expected Default Severity Rate are applied.

The estimate of Imminent Default Rate is defined as: The probability that a Finance Receivable may Default within the subsequent 90 days of the reporting date.

The 11-30 days past due category of impaired Finance Receivables contains a large portion of Finance Receivables for which the Company is receiving regular and periodic payments. In some cases, Finance Receivables in this category have had a customer initiated payment due date change of less than 30 days.

The 31-60 days past due category of impaired Finance Receivables represents Delinquency, but does contain some Finance Receivables that are actively being paid. Where possible, the Company is seeking additional payments in order to bring the account up to date.

The 61-90 days past due category of impaired Finance Receivables represents serious Delinquency. The Company is in serious discussions with the borrower. This serious delinquency may result in seizure of the vehicle security.

The over 90 days past due category of impaired Finance Receivables represents Default. Rifco is in possession of its vehicle security and is pursuing vehicle liquidation.

In the period, the Company decreased its Specific Provision for Impairment of current loans to $0.68M for modified loans (loans for which the original terms of the contract have been changed) from $0.92M in the prior quarter. Loans that have been modified but are not in arrears, are deemed impaired until the borrowers' ability to maintain the modified contractual repayment has been re-established. The Company saw some modified loans meet a re-establishment standard in the quarter. Re-established modified loans may be subject to a Specific Provision for Impairment in the future if they become Delinquent.

The most severely Impaired loans are systematically derecognized as assets under the Company's Credit Losses policy. These derecognized Finance Receivables are no longer reported in the various categories of days past due, Delinquent, or impaired loans. Credit Losses are fully expensed.

Collective Provisioning for Impairment

The credit performance of Rifco's Finance Receivables is affected by the external (macroeconomic) environment within which they exist. The Company believes that, from time-to-time, there are observable changes to this environment that can meaningfully change the likelihood of scheduled repayment for its overall Finance Receivable portfolio or for a sub-set of its Finance Receivable portfolio. In these cases some or all of the Company's Finance Receivables may have, to a degree, become collectively impaired.

In determining the Collective Provision for Impairment the Company seeks to measure changes to the business and economic environment by observing key variables that may affect the repayment of the Company's Finance Receivables. Those variables observed are unemployment rate, inflation, vehicle auction values, consumer borrowing interest rates, and gasoline prices. The Company observes recent changes to these variables.

As discussed above, the Company has a Collective Provision for Impairment in the period of $1.24M in response to a perceived increased risk to a certain vintage of the Company's Alberta loans. This is a slight reduction from $1.27M from the prior quarter in line with the principal reduction of the target loan vintage.

While the Company believes that the level of Collective Provisioning for Impairment correctly reflects the Impairment of the portfolio due to business and economic factors, the future credit performance of the portfolio may vary significantly from the implied net portfolio value.

A lower Impairment Rate reflects a decrease in the ratio of Finance Receivables that have a reduced likelihood of scheduled cash flows. A higher Impairment rate reflects an increase in the ratio of Finance Receivables that have a reduced likelihood of scheduled cash flows being realized.

	Three months ended		Nine months ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	$	$	$	$
($,000's)				
(Credit Losses net of recoveries for the period)	(3,009)	(2,525)	(7,991)	(6,209)
(Repossession and recovery costs for the period)	(264)	(193)	(561)	(573)
Provision for Impairment and Credit Losses for the period	3,056	3,948	9,016	9,427
(Decrease)increase in Provision for Impairment	(217)	1,230	464	2,645

The Provision for Impairment in the period has declined by $0.22M primarily due to a reduction in Finance Receivables to $230.05M from $236.24M in the prior quarter. A reduction of the Specific Provision for Impairment on current loans to $0.68M from $0.92M was reported due to the satisfactory re-establishment of contractual payments for some modified loans.

	For the periods ended	
	December 31, 2015	March 31, 2015
	$	$
($,000's)		
Provision for Impairment from prior period/year	5,093	2,874
Increase in Provision for Impairment period/year	464	2,219
Provision for Impairment and Credit Losses for current period/year	5,557	5,093

Credit Loss policy

In addition to Specific Provisioning for Impairment, the Company maintains a corresponding Credit Loss policy for its most severely Delinquent Finance Receivables. Specifically, and on a monthly basis, Finance Receivables are allocated as Credit Losses when they either exceed 90 days in arrears or 120 days in arrears where the Company has gained possession of the vehicle collateral. Credit Loss balances are continually pursued either through Rifco's employed collectors or through third party collection agency services. Recoveries are applied in accordance with IFRS.

While the Company believes that the level of Specific Provisioning for Impairment correctly reflects the observed impairment of specific Finance Receivables within the portfolio, the future credit performance of these Finance Receivables may vary significantly from the implied net Finance Receivable value.

Credit performance trends

The Delinquency Rate increased to 5.86% compared to 5.21% in the same quarter of the prior year and the preceding quarter. The Delinquency Rate is currently higher than the Company's typical seasonal ranges of between 3.00% and 4.00%.

Unemployment rates in Alberta have recently increased. As a result, the Company previously provided additional Collective Provisioning for Impairment on loans granted in Alberta before December 31, 2014. Management conducted detailed reviews of its credit underwriting processes and made adjustments to reflect the increased employment risk in Alberta. Loans granted after December 31, 2014 were granted reflecting credit underwriting in the current environment. Included in the total is a Collective Provisioning for Impairment which is applied against certain non-delinquent Alberta loans where "there are observable changes to the external economic environment that can meaningfully change the likelihood of scheduled

repayment." The Company has a Collective Provision for Impairment in the period of $1.24M in response to a perceived increased risk to a certain vintage of the Company's Alberta borrowers.

Currently 42% of Finance Receivables are located in Alberta which is a reduction from 47% one year ago. The Company continues to focus on greater diversification of new Originations. The Delinquency on Alberta Finance Receivables is higher than the national average. The increased national Delinquency Rate at 5.86%, is largely due to this provincial weakness. The Company expects that, over time, the impact of Alberta's weak credit performance will diminish as the concentration of Alberta Finance Receivables declines and the Alberta economy stabilizes.

In the period, the Company decreased its Specific Provision for Impairment of current loans to $0.68M for modified loans (loans for which the original terms of the contract have been changed) from $0.92M in the prior quarter. Loans that have been modified but are not in arrears, are deemed impaired until the borrowers' ability to maintain the modified contractual repayment has been re-established. The Company saw some modified loans meet a re-establishment standard in the quarter. Re-established modified loans may be subject to a Specific Provision for Impairment in the future if they become Delinquent.

The Average (12 month rolling) Credit Loss Rate increased to 4.60% from 3.80% in the comparable quarter and has increased from 4.30% in the prior quarter. The Annualized Credit Loss Rate for the quarter is 5.66% and 4.81% for the nine month period, an increase from 3.92% in the comparable period.

The Provision for Impairment and Credit Losses in the period is $2.79M, a decrease from $3.76M from the comparable quarter in the prior year. Credit Losses, including costs and net of recoveries, are $3.27M in the quarter, an increase from $2.72M in the comparable quarter and $3.02M in the prior quarter.

Liability, Liquidity and Capital Resources Review

The Company manages its liquidity and capital resources by utilizing financial leverage through a diversified and balanced approach. The Company's ability to access funding at competitive rates through various economic cycles, enables it to maintain necessary liquidity and is an important condition to future success.

The Company's primary sources of liquidity are (i) cash flows from operations, (ii) Bank Borrowing, (iii) Securitization, (iv) Unsecured Debentures, and (v) equity. The Company's primary use of cash is the funding of Finance Receivables and the funding of working capital. Management has facility availability for the Company of $141.00M at December 31, 2015 which is sufficient to fund the Company's anticipated near term needs for its existing operations.

In order to maintain access to liquidity from external sources, certain financial covenants must be maintained. From time to time, and typically at facility renewal, these covenants are subject to negotiation and revision. The Company will report and disclose if any particular covenant approaches non-compliant status. The Company will also disclose the reason for proximity to non-compliance, the details of the covenant, the Company's measurement against the covenant, the expected impact of the potential breach of covenant and the Company's planned resolution to any non-compliance.

The Company's Covenant Leverage Ratio, as computed against its (currently) most restrictive leverage covenant is 5.00:1, a reduction from 5.28 in the prior quarter. This ratio includes non-recourse Securitization Debt in the calculation and can therefore not be improved by the Securitization of Owned Finance Receivables. This therefore makes it the Company's most restrictive leverage covenant.

This Bank Borrowing facility was extended for an additional one year period in June 2015 and included in the renewal terms was a reduction of the maximum Covenant Leverage Ratio to 7.50:1 from 8:00:1.

Covenant	Requirement	December 31, 2015	December 31, 2014
Covenant Leverage Ratio	<7.50	5.00	6.96 (1)

(1) At December 31, 2014 the threshold for the Covenant Leverage Ratio was < 8.00.

The Company's four quarter rolling EBITDA Ratio, as computed against its (currently) most restrictive interest coverage covenant, is 1.79:1. This EBITDA ratio is calculated as Net Income before payments of interest, taxes, depreciation, amortization, and stock based compensation divided by total Interest Expense for the period. The ratio could also include a Provision for Impairment adjustment under a defined calculation for falling below a minimum loss reserve requirement. The

Company's Provisions for Impairment exceed the minimum loss reserve requirement by the lender. Improvement toward previous quarterly Net Income levels are required in order to ensure ample EBITDA ratio coverage.

Covenant	Requirement	December 31, 2015	March 31, 2015	December 31, 2014
EBITDA Ratio (four quarter rolling)	>=1.50	1.79	1.88	1.83

Bank Borrowing

The Company maintains a Bank Borrowing (secured revolving credit) facility with a $100M limit. The Company is currently funding its loan Originations through this facility. The Bank Borrowing balance was $80.14M at period end. The facility is subject to certain financial and operating covenants. These covenants include a minimum EBITDA interest coverage ratio, a maximum debt to equity ratio, a maximum recourse debt to equity ratio, and a credit performance (delinquency and loan losses) threshold. Non-compliance with any of these covenants could result in the bank declaring an event of Default and requiring all amounts outstanding to be immediately due and payable. The Company was compliant for the reporting period. The facility has a November 2, 2016 renewal date.

Unsecured Debentures

The Company issues Unsecured Debentures. Unsecured Debentures allow Rifco the right to redeem the debenture in the last year of the agreement without penalty. The Unsecured Debenture holders do not have early retraction rights and have no right to convert into common shares. All Unsecured Debentures issued after May 31, 2013, allow Rifco certain rights to redeem the debentures upon a change of control of the Company. The Unsecured Debentures have an asset coverage covenant. Non-compliance with this covenant could result in the debenture holders declaring an event of default and requiring all amounts outstanding to be immediately due and payable. The Company was compliant for the reporting period. The Unsecured Debentures are non-retractable with maturity dates that vary between April 2016 and December 2018. The Company has been successful in renewing or replacing maturing Unsecured Debentures in the past.

Securitization Facilities

The Company maintains an annual $80M Securitization Facility with Securcor Trust. The facility was utilized to $5.82M at quarter end. The facility receives new funds annually and previous Finance Receivables securitized does not affect the utilization. The facility is subject to certain covenants. These covenants include a minimum EBITDA interest coverage ratio, a maximum debt to tangible net worth ratio, a minimum tangible net worth covenant and a maximum delinquency and Credit Loss ratios. Non-compliance with any of these covenants could result in the Securitizer declaring an event of Default and restricting the Company from selling Finance Receivables into the trust, receiving future releases from the Cash Holdback or be forced to remit the full payment stream from Over Collateralized loans. The Company was compliant for the reported period. The facility has a May 31, 2016 renewal date. The Company has been successful in renewing or expanding this Securitization facility in the past.

The Company maintains a $50M Securitization Facility with Mountain View Credit Union (MVCU). The Securitization Facility includes three additional Alberta credit unions, with MVCU acting as the syndication lead. The facility has no expiry date. The facility has a fixed limit of $50M and was utilized to $28.18M at period end.

The Company maintains a Securitization Facility for $30M with Aviator Trust ("Canadian Schedule 1 Chartered Bank"). The facility was not utilized at quarter end. The facility receives new funds annually and previous Finance Receivables securitized does not affect the utilization. The facility is subject to certain covenants. These covenants include a minimum EBITDA interest coverage ratio, a maximum debt to tangible net worth ratio, and a maximum delinquency and Credit Loss ratios. Non-compliance with any of these covenants could restrict the Company from selling Finance Receivables into the facility, receiving future releases from the Cash Holdback or be forced to remit the full payment stream from Over Collateralized loans. The Company was compliant for the reporting period. The facility was renewed in the quarter and has a renewal date of October 31, 2016. The Company has been successful in renewing or expanding this Securitization Facility in the past.

If required, the Company's liquidity can be positively impacted by securitizing Owned Finance Receivables. Owned Finance Receivables have reduced to $113.93M, a $6.47M decrease from $120.40M at March 31, 2015. Securitization of Finance Receivables would typically contribute net cash proceeds at the time of the transaction.

The Company Originated $21.98M in Finance Receivables during the quarter and Securitized $15.11M in loan principal representing 69% of Originations.

Credit markets in Canada are currently stable. The Company is in regular contact with all of its funders and remains optimistic regarding the availability of increasing amounts of Bank Borrowing and Securitized Facilities through the current fiscal period and beyond. The Company manages Origination rates, Credit Facilities, and Net Financial Margin in order to maximize liquidity and maintain acceptable profitability. The Interest Expense rates and credit facility limits currently being received are expected to allow for profitable growth.

Cash flow measurements

The following tables contain non-IFRS measures and therefore should not be considered, in isolation or as a substitute for measures prepared and presented in accordance with IFRS.

Modified funds flow from operations

	Three months ended		Nine months ended	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
($)				
Net cash flows from operating activities	5,848,718	(10,918,712)	17,583,835	(44,086,765)
(Changes in non-cash working capital)	482,106	(324,340)	563,766	(2,170,984)
Funds advanced on finance receivables	21,980,274	38,511,071	68,326,237	124,015,425
(Principal collections of finance receivables)	(25,167,802)	(22,489,097)	(77,402,350)	(66,204,222)
Origination costs	656,989	982,782	1,708,339	3,480,353
Modified funds flow from operations	3,800,284	5,761,704	10,779,827	15,033,807
Weighted average number of common shares	21,347,483	21,167,483	21,331,228	21,106,901
Modified funds flow from operations per share	0.18	0.27	0.51	0.71

The modified funds flow from operations table provides details on cash generation for the period excluding activities relating to Finance Receivables advanced and collected.

The table provides useful information as it is not directly impacted by variation in the level of loan Originations. The Company asserts that the amount of modified funds flow from operations demonstrates and helps the reader to understand its proportional effect as it relates to Net Income. The modified funds flow from operations decreased from $5.76M to $3.80M in the period.

The Company believes that the modified funds flowing from operations per share may provide a useful performance and valuation metric as it relates to the cash generated per share from the operational activities.

Equity

Equity increased to $28.97M compared to $24.92M from March 31, 2015. The Book Value per Share increased to $1.36 per share from $1.07 when compared to the same quarter in the prior year.

	For the periods ended		
	December 30, 2015	**March 31, 2015**	**December 30, 2014**
($,000 except per share)			
Equity	28,969	24,924	22,551
Shares Outstanding	21,347	21,227	21,167
Book Value per share	$ 1.36	$ 1.17	$ 1.07

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. There are 21,347,483 common shares issued and outstanding as at December 31, 2015. The Company has no warrants outstanding. The Company has 1,350,334 stock options outstanding as at December 31, 2015 with a weighted average exercise price of $3.87 and expiry dates no later than June 18, 2019. Of the outstanding options, 795,084 are fully vested. These options are exercisable into common shares on a one for one basis.

The following table contain non-IFRS measures and therefore should not be considered in isolation or as a substitute for measures prepared and presented in accordance with IFRS.

Net fair value per share

	December 31, 2015 $	**December 31, 2014 $**	**December 31, 2013 $**
(All amounts in the table are reported at fair value)			
Cash	3,668,014	2,939,540	3,382,390
Finance Receivables	292,551,926	314,631,070	231,917,948
Other receivables and prepaid expenses	524,161	395,953	403,509
Property and equipment - net	621,029	872,892	450,232
	297,365,130	318,839,455	236,154,079
Bank Borrowing	80,140,940	81,491,302	76,492,604
Securitization Debt	119,035,455	140,911,982	88,275,004
Unsecured Debentures	12,006,129	11,862,332	8,675,951
Accounts payable and accruals	4,745,809	5,666,496	3,048,679
	215,928,333	239,932,112	176,492,239
Net assets at fair value	81,436,797	78,907,343	59,661,840
Weighted average number of common shares	21,347,483	21,167,483	20,950,817
Net fair value per share	3.81	3.73	2.85

Net fair value per share (NFVS) represents the estimated net worth of the Company when the assets and liabilities of the Company are measured at fair value. The difference between assets and liabilities are not to be relied upon as an indication of future cash collections.

The NFVS increased to $3.81 from $3.73 when compared to the same quarter in the prior year. The increase is attributable to fair value asset growth decrease of 7% and a fair value liabilities decrease of 10% compared to the prior year. The difference between the fair value assets and liabilities reflects value creation beyond just Book Value per Share.

The costs to manage Securitized loans to maturity have been accounted for in the fair value calculations of the Finance Receivables and the Securitization Debt. At period end, 50% of Finance Receivables were non-securitized. The NFVS table does not take into account the operating expenses, Interest Expenses on carrying value of Bank Borrowing and life time Credit Losses required on Owned Receivables held to maturity. The Finance Receivable portfolio will experience early loan payouts and the actual average life of loans is below the contract terms.

The fair value of Finance Receivables is calculated by discounting the estimated future cash flows of the loan portfolio at rates commensurate with the underlying risk of assets, net of a Provision for Impairment, prepayment losses, servicing costs, and fees to securitize at period end. The fair value used is the average of the upper and lower fair values described in Note #17 of the December 31, 2015 financial statements.

The fair value of Securitization Debt is determined based on an internal valuation model which factors in the time value of money, expected future impaired loans and prepayment rates.

Leverage Measurements

The Company measures the following ratios which it considers to provide the most useful information to the readers.

	For the periods ended		
	December 31, 2015	**March 31, 2015**	**December 31, 2014**
($,000's except ratios)			
Net Bank Borrowing	76,473	80,723	78,401
Unsecured debentures	11,815	11,500	11,500
Total debt excluding Securitization Debt	88,288	92,223	89,901
Equity			
Share capital	7,248	7,172	7,133
Contributed surplus	2,956	2,632	2,469
Retained Earnings	18,765	15,120	12,949
Total equity	28,969	24,924	22,551
Total debt to equity [1]	3.05:1	3.70:1	3.99:1

[1] Total debt, excluding securitization debt divided by total equity.

Financial Leverage Ratio

	For the periods ended	
	December 31, 2015	**March 31, 2015**
($,000's except ratios)		
Net Bank Borrowing	76,473	80,723
Securitization Debt	118,408	131,930
Unsecured Debentures	11,815	11,500
Total debt	206,696	224,153
Equity	28,969	24,924
Financial Leverage Ratio	7.14	8.99

Leverage Ratio

	For the periods ended	
	December 31, 2015	**March 31, 2015**
($,000's except ratios)		
Total assets	244,079	260,275
Equity	28,969	24,924
Leverage Ratio	8.43	10.44

The Company's Leverage continues to show improvement as net cash flows from operations are used to reduce debt levels and Net Income increases retained earnings. The Financial Leverage Ratio has reduced to 7.14 from 8.99 in the nine month period. The Leverage Ratio has reduced to 8.43 from 10.44 in the same period. Reduced Leverage normally implies improved Company safety and strength.

The debt to equity ratio continues to improve and has reduced to 3.05:1 from 3.70:1 in the last nine months. Non-recourse securitization debt is not included in the calculation. Increasing equity from company profits and reduced bank borrowings have supported the improving ratio.

Contractual Obligations

The following table sets forth short and long-term obligations as at period end and the timing of future payments under those obligations. The obligations include the operating leases for premises, Unsecured Debentures, Securitized Debt, and software hosting agreements.

The purchase obligations consist of premises lease commitments, consulting fees and software hosting agreements. Penalties would be incurred if early termination was required.

	Payments due by period				
	Less than 1 year	**1 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
($, 000's)					
Securitization Debt - undiscounted [1]	33,845	57,990	32,712	3,645	128,192
Unsecured Debentures[2]	4,117	9,089	-	-	13,206
Purchase obligations[3]	1,280	155	-	-	1,435
Total contractual obligations	39,242	67,234	32,712	3,645	142,833

[1] Securitization Debt - Undiscounted includes gross repayments of principal and interest less cash holdback.

[2] Unsecured Debentures include repayments of principal and future interest.

[3] Purchase obligations means an agreement to purchase goods or services that is enforceable and legally binding on the Company. The Company's obligations are for its premises lease and software hosting.

Management and Board of Directors Compensation

The Company has four executive officers that receive regular employment income (including bonuses). The total amount paid to the four executive officers in the period was $0.55M which is a decrease from $0.73M in the comparable period. Executive officers also receive certain approved itemized expense reimbursement.

The Company has three independent directors and each independent director receives an annual retainer of $20,000 and an additional $5,000 for Chairman of the Board and $3,000 for Committee Chairman Positions held. Independent directors received meeting fees of $750 per day and reimbursement of normal itemized travel expenses. The fees paid to independent directors for the nine month period was $78,000 in addition to normal itemized expense reimbursement, an increase from $54,250 in the comparable period.

The CEO and CFO are directors but do not receive any additional compensation for services rendered in such capacity.

Related Party Balances and Transactions

During the year, related parties were holders of Unsecured Debentures in the Company. The terms offered to related parties for the Unsecured Debentures are identical to those offered to non-related debenture holders.

At period end, the total held by related parties is $3.45M. The related parties are comprised of relatives of certain officers and employees of the Company who currently hold $1.97M in debentures with varying terms. In addition, $1.48M in debentures with varying terms is held by relatives and Companies related to a non-management insider.

Interest payments of $0.19M (December 31, 2014 - $0.14M) were paid in the quarter to debenture holders that are related parties. These transactions are in the normal course of business and the consideration established and agreed to by the related parties at arm’s length. None of the related party transactions are with officers or directors.

Risks Factors and Management

In addition to the other information contained in the Management's Discussion and Analysis, shareholders and prospective investors should give careful consideration to the following factors.

General

There are trends and factors that may be beyond management's control which affect the Company's operations and business. Such trends and factors include adverse changes in the conditions in the specific markets for Rifco products and services, the conditions in the broader market for vehicle and consumer financing and the conditions in the domestic or global economy generally. Although the Company's performance is affected by the general condition of the economy, not all of its service areas are affected equally. It is not possible for management to accurately predict economic fluctuations and the impact of such fluctuations on the Company's performance.

Consumer protection laws and government regulations risk

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. Courts have applied general equitable principles to secured parties pursuing repossession or litigation involving deficiency balances. These equitable principles may have the effect of relieving an obligor from some or all of the legal consequences of default.

Rifco currently operates in an unregulated environment with regards to capital requirements. However, the Criminal Code of Canada imposes a restriction on the cost of borrowing in any lending transaction of 60%. The application of capital requirements or a reduction in the maximum cost of borrowing could impact the Company's ability to operate profitably.

Lending risk

Rifco's Finance Receivables consist primarily of non-traditional loans to borrowers who may have had previous financial difficulties or may not yet have a sufficient credit history. These are borrowers that cannot meet the credit standards required by traditional lenders. There is a higher degree of risk associated with these borrowers. For this reason Rifco charges higher interest rates and expects to experience higher levels of Delinquencies and Credit Losses than traditional lenders. Rifco cannot guarantee that Delinquency and Credit Loss levels will correspond with historical levels experienced. There is risk that Delinquency Rates and Credit Loss Rates could increase significantly.

Rifco maintains a uniform set of credit standards and a Credit Model to support the credit approval process. Rifco utilizes risk-based pricing through its pricing matrix system to accurately reflect increasing levels of risk. Many applications are approved with a significant number of conditions and many contracts are not funded due to the borrower's inability to comply with approval conditions.

Rifco maintains a proactive position on collection of its Finance Receivables. The Company's systems collect payments electronically which provides for quick notification of Delinquencies. Delinquent borrowers are normally contacted on the same day the Company learns that a payment has not cleared their account. Rifco reports to both credit reporting agencies in order to provide customers with additional motivation to make timely payments.

For each Finance Receivable granted, Rifco obtains a registered charge against the collateral through the Personal Property Security Acts (PPSA) in the applicable province. Any failure to obtain such a registration as contemplated in the PPSA may result in our not perfecting a lien/security interest position in the related financed vehicle and may jeopardize the Company's ability to realize on the collateral.

In addition to the payment performance of the obligor, certain factors may affect the ability to recoup the full amount due on a Finance Receivable include:

- Depreciation, damage or loss of any financed vehicle.
- Insufficient or no insurance coverage being maintained.

- Fraud or forgery by the persons financing their vehicle.
- Fraud by the dealer offering Rifco financing.
- Priority liens on financed vehicles.
- The application of federal and provincial bankruptcy and insolvency laws.
- Federal or provincial laws may prohibit, limit, or delay repossession and sale of the vehicles to recover losses on defaulted Finance Receivables, as well as limit Rifco's right to sue for any deficiency.

Liquidity risk

Liquidity risk is the risk that the Company's financial condition is adversely affected by an inability to meet funding obligations and support its business growth. The Company manages its capital to maintain its ability to continue as a going concern and to provide adequate returns to shareholders. The capital structure of the Company consists of external debt and shareholders' equity, which comprises issued capital, contributed surplus and retained earnings.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances, increasing or decreasing debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company's liquidity and funding strategies and objectives have not changed significantly from the prior period.

The Company's Bank Borrowing facility and Securitization Facilities must be negotiated and renewed on a periodic basis. If the Company were unable to renew these facilities, on acceptable terms, when they became due, there could be a material adverse effect on the Company's financial condition, liquidity, and results of operations.

The Bank Borrowing facility is subject to certain financial and operating covenants. These covenants include a minimum EBITDA interest coverage ratio, a maximum debt to equity ratio, a maximum recourse debt to equity ratio, and a credit performance (delinquency and loan losses) threshold. Non-compliance with any of these covenants could result in the bank declaring an event of default and requiring all amounts outstanding to be immediately due and payable.

The Unsecured Debentures have an asset coverage covenant. Non-compliance with this covenant could result in the debenture holders declaring an event of default and requiring all amounts outstanding to be immediately due and payable.

The Securcor Trust Securitization facility is subject to certain covenants. These covenants include a minimum EBITDA interest coverage ratio, a maximum debt to tangible net worth ratio and a maximum delinquency and Credit Loss ratios. Non-compliance with any of these covenants could restrict the Company from selling Finance Receivables into the trust, receiving future releases from the Cash Holdback or be forced to remit the full payment stream from over collateralized loans. The Company is in compliance with all requirements.

The Aviator Trust facility is subject to certain covenants. These covenants include a minimum EBITDA interest coverage ratio, a maximum debt to tangible net worth ratio and a maximum delinquency and Credit Loss ratios. Non-compliance with any of these covenants could restrict the Company from selling Finance Receivables into the trust, receiving future releases from the Cash Holdback or be forced to remit the full payment stream from over collateralized loans.

Should the Company Default on any of its facilities or on its Unsecured Debentures, there could be a material adverse effect on the Company's financial condition, liquidity, and results of operations.

Competition risk

Vehicle purchase financing is a highly competitive market place. The companies that compete in this market place on a national level often have significantly more financial, technical and human resources than Rifco. They may have solid reputations with dealers, debt providers, and greater market experience. Competitors are often considerably larger and may be funded at a lower cost than Rifco can currently obtain.

Personnel risk

Certain Rifco employees are important to its continued success. Senior executive management is not governed by management contracts. Key man insurance is in place for the CEO and CFO. If any of these persons would be unable or

unwilling to continue in their employment with the Company there could be a material adverse effect on our Delinquency, Default, Credit Loss Rates, Originations, and financial results.

Technology risk

Rifco is dependent upon the successful and uninterrupted functioning of its computer, internet, and data processing systems. The failure of these systems could interrupt operations or materially impact management's ability to originate and service customer accounts. If sustained or repeated, a system failure could negatively affect financial results.

Although Rifco has an extensive disaster recovery plan, which includes:

- Routinely backing up key software applications.
- Databases and hardware are subject to strict security controls.
- Off-site data backup storage with remote facility set up capabilities.

Unforeseen information loss to the Company could occur.

Economic conditions risk

Rifco is subject to changes in general economic conditions that are beyond its control. During times of economic slowdown or recession Rifco would generally expect to see higher Delinquencies, Defaults, repossessions, and Credit Losses which could result in the following:

- Decreased consumer demand.
- Reduced returns on repossessed vehicles.
- Delayed timing on repossession sales.
- Increase in collection staff to handle higher Delinquency.
- Increased operating expenses with potentially no revenue increase.
- Sustained poor economic conditions could affect the liquidity of the Company.

Interest rate risk

Although, Rifco's interest rate risk has declined due to its financing strategy of matched funding through Securitizations with fixed rates and locked in terms for Unsecured Debentures, Rifco does maintain its Bank Borrowing with variable rates.

An increase in interest rates would have an effect on Net Financing Margin through the pricing of Securitizations at the time of sale. Generally an increased rate environment would negatively affect Rifco's business as market conditions may limit the Company's ability to increase rates charged. Marginal interest rates could rise to the point where the Company's business model could be stressed.

Dealer risk

Each dealer is required to sign an agreement outlining the terms of conduct required to enable them to process applications to Rifco. There is no recourse against a dealer for non-performance by the obligor. Rifco maintains a dealer network in all provinces except Quebec. Management monitors portfolio originations, Delinquencies and Credit Losses by dealer on a regular basis. Ongoing negative trends or an indication of misrepresentation by a dealer will result in the relationship being terminated. There is no guarantee that the dealer network will continue to generate referrals at the current rate.

Environmental risk

Rifco and its activities have no direct impact on the environment.

Description of Non-IFRS Measures

Throughout this MD&A, management uses the following terms and ratios not found in IFRS and which do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures presented by other issuers, and therefore require definition. These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Annualized Credit Loss Rate – The total of all Credit Losses, including all repossession and recovery expenses for the period divided into the sum of the period's monthly closing Finance Receivables expressed as an annualized percentage.

Average Debt – Will include Bank Borrowing, Securitization Debt, and Unsecured Debentures.

Average Interest Expense – Interest Expense divided by average debt in the period and reported as an annualized percentage.

Average (12 month rolling) Credit Loss Rate – The total of all Credit Losses, including all repossession and recovery expenses, for the prior 12 months, divided into the sum of the prior 12 month's closing Finance Receivables expressed as a percentage. This measurement normalizes the quarterly volatility of Credit Loss Rates.

Bank Borrowing – Amounts borrowed through the secured revolving credit facility.

Book Value per Share – Total equity divided by the total number of issued and outstanding common shares at the close of the period.

Cash Holdback - An amount of cash, subtracted from the purchase price of a Securitization transaction, held in trust for Rifco. The schedule of release from the trust is restricted, based on certain credit performance criteria and predetermined ratios. This restricted cash serves to decrease the risk of loss to the Securitizer. Similar to Over Collateralization.

Cash Holdback Release – A payment of the restricted cash from the Securitizer to Rifco based on predetermined credit performance and Cash Holdback ratio requirements. Monthly cash payments to Rifco are prescribed as performance measures are met.

Collective Provisioning for Impairment – An amount assigned to reflect observed decreased value of otherwise specifically unimpaired Finance Receivables. The Company believes that, from time-to-time, there are observable changes to the external economic environment that can meaningfully change the likelihood of scheduled repayment for its Finance Receivables portfolio or for a sub-set of its portfolio.

Covenant Leverage Ratio - Calculated as total liabilities, excluding Unsecured Debentures, divided by total equity plus the Unsecured Debentures less the Minimum Loss Reserve Rate and related party loans, if any.

Credit Loss – The financial impact of a defaulted loan. Credit Losses are Finance Receivable amounts that are no longer reported as Rifco assets and the associated collection cost expenses. Credit Losses are the product of Default Rate and Default Severity Rate. Rifco records Credit Losses at the end of each calendar month.

Credit Loss Rate – The total of all Credit Losses, including all repossession and recovery expenses for the period divided into the sum of the period's monthly closing Finance Receivables expressed as an annualized percentage.

Credit Model – The policies and processes that are followed in order to adjudicate credit applications with the goal of predictable Credit Losses and attractive Return on Earning Assets.

Default - A Finance Receivable that is at least 120 days in arrears at the end of a calendar month or a Finance Receivable that is at least 90 days in arrears and the Company has not seized its security.

Default Rate – The number of Defaulted Finance Receivables accounts in the period divided by the average number of Finance Receivables accounts during the same period. The Default Rate is the frequency of Credit Loss.

Default Severity Rate – The financial loss of principal and accrued interest plus collection cost expenses, net of recoveries upon Default as a percentage of defaulted Finance Receivables.

Delinquency Rate – Delinquent Finance Receivables divided by the total Finance Receivables expressed as a percentage.

Delinquent – Finance Receivables that are contractually more than 30 days past due.

Efficiency Ratio – Operating expenses divided by Financial Revenue reported as an annualized percentage.

Financial Leverage Ratio – Net Bank Borrowing plus Securitization Debt plus Unsecured Debentures divided by Equity.

Finance Receivables – Loan receivables, including accrued interest. Includes both Owned and Securitized Finance Receivables.

Finance Receivables - net – Loan receivables, including accrued interest and net of Impairment and Credit Losses and unamortized origination costs. Includes both Owned and Securitized Finance Receivables.

Gross Portfolio Yield – Interest income and administration and other fees plus amortization of Origination expenses divided by average Finance Receivables reported as an annualized percentage.

Gross Revenue – Financial Revenue plus amortization of Origination costs.

IFRS – International Financial Reporting Standards are the accounting standards that govern the Company as of April 1, 2011.

Imminent Default Rate – The forecasted likelihood that a Finance Receivable will Default within the subsequent 90 days.

Impairment Rate – The percentage applied to aged Finance Receivable categories to provide the required Provision for Impairment.

Interest Expense – Interest incurred on debt.

Interest Income – Gross portfolio interest less amortization of Origination expenses in the period.

Leverage Ratio – Assets divided by equity. This is an important industry standard measurement that can be used to compare Companies and an increasing trend to a higher Leverage Ratio could indicate increasing risk.

Minimum Loss Reserve Rate – Is equal to the greater of (i) 1.5% of Finance Receivables or (ii) 125% of an amount equal to the total Owned Finance Receivables for the period end multiplied by the Average (12 month rolling) Credit Loss Rate less repossession and recovery costs for the same rolling 12 month period.

Net Bank Borrowing – Bank Borrowing minus cash.

Net Financial Income before Provisions for Impairment – Financial Revenue minus all variable Origination expenses and Interest Expense.

Net Financing Margin - Net Financing Income before Impairment divided by average Finance Receivables reported as an annualized percentage.

Net Income – Total comprehensive income for the period/year attributable to equity holders as stated on the Consolidated Statements of Comprehensive Income.

Net Portfolio Yield – Interest income and administration and other fees divided by average Finance Receivables reported as an annualized percentage.

Operating Expense Ratio – Total operating expenses divided by average Finance Receivables reported as an annualized percentage.

Originations – The process of generating a new Finance Receivable.

Over Collateralization – An excess amount of Finance Receivables that are sold to a Securitizer. While the excess amount of Finance Receivables is legally sold, the excess cash flow from the Finance Receivables is only provided under certain credit performance criteria. The excess amount of loans serves to increase the effective safety to the Securitizer similar to Cash Holdback.

Owned Receivables – Finance Receivables that have not been securitized.

Platform (Origination and Servicing Platform) – The proprietary systems and processes used to originate and service Finance Receivables with predictable credit performance. Also see Credit Model.

Provision for Impairment - When an event, or a group of events, impacts the likely scheduled cash flows of Finance Receivables, or a group of Finance Receivables, such Finance Receivables are deemed to have decreased in value and may be deemed impaired. There is no Impairment as a result of future looking events. Rifco's Provision for Impairment is comprised of both Specific and Collective Provisioning.

Return on Earning Assets – Net Income divided by average Finance Receivables reported as annualized percentage.

Return on Equity – Net Income divided by average equity reported as an annualized percentage.

Securitization –A transaction where Rifco sells certain/select Finance Receivables to a Securitizer. Rifco service the Finance Receivables after the sale transaction. These Securitization transactions are accounted for as financings rather than as sales.

Securitization Debt –Amounts owing to Securitizers minus cash Holdbacks.

Securitization Discount Rate –The percentage return, before costs, that a Securitizer obtains for a given Securitization transaction. This rate is applied to the expected total future cash flows of the sold Finance Receivables in order to determine the purchase price.

Securitization Effective Rate –This rate is greater than the Securitization Discount Rate. The Securitization Effective Rate is the percentage cost for the actual funds received by Rifco expressed as an annual percentage. . For example if the Securitization Discount Rate was 5.0% and the Cash Holdback rate was 12% the Securitization Effective Rate would be 5.6%. (5.0% x 1.12%).

Securitization Facility – Agreement with a Securitizer to purchase Finance Receivables from the Company. The facility agreements specify the terms, processes, and periodic or revolving purchase amount limits. Certain facilities have expiry dates and are subject to annual renewal.

Securitizer – An arm's length purchaser of Finance Receivables via Securitization transactions. The Securitizer may utilize internal or external trust structures in order to accomplish Securitization transactions.

Specific Provisioning for Impairment – An amount assigned to reflect observed decreased value of non-current Finance Receivables. The Company believes that observable changes in the days past due will meaningfully change the likelihood of scheduled repayment for its Finance Receivables portfolio.

Tranche –A group of Finance Receivables included in a single package sale to a Securitizer on a specific date.

Unsecured Debentures – Funds owed by Rifco under term agreements. Terms are typically 2 to 3 years in length which have fixed annual interest rates are paid interest monthly, are generally non-redeemable except in the final year of term, non-retractable, and are subordinated to Rifco's Bank Borrowing.

New Accounting Standards and Interpretations not yet adopted

IFRS 9 'Financial Instruments' (IFRS 9)

This new standard replaces the requirements in IAS 39 Financial Instruments: Recognition and Measurement for classification and measurement of financial assets. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss caused by changes to the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting, which will allow entities to better reflect their risk management activities in financial statements. The most significant improvements apply to those that hedge non-financial risk, so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. Management is currently assessing the impact of IFRS 9 on its consolidated financial statements. The application date for this standard is effective for annual periods on or after January 1, 2018.

IFRS 15 'Revenue from Contracts with Customers' (IFRS 15)

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRS, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Company's management have not yet assessed the impact of IFRS 15 on these condensed consolidated interim financial statements. The application date for this standard is effective for annual periods on or after January 1, 2018.

IFRS 16 'Leases'

In January 2016, the IASB issued a new standard, IFRS 16 Leases ("IFRS 16"). IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company's interim financial statements for the quarter ended December 31, 2019, with earlier adoption permitted if IFRS 15 Revenue from contracts with customers, has also been applied. The Company has not yet determined the potential impact the adoption of IFRS 16 will have on its financial statements