For the period ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended December 31, 2020 and 2019 (interim financial statements) 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 23, 2021.

The interim financial statements of the Company have been prepared in compliance with International Accounting Standards (IAS) 34 Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board (IASB) and adopted by the Chartered Professional Accountants of Canada (CPA).

The Company's website is [www.rifco.net] and all previous public Company filings are available through SEDAR [www.sedar.com].

Cautionary Statement

Additional information relating to the Company is available on SEDAR at www.sedar.com. This Management's Discussion and Analysis (MD&A) report may contain certain forward-looking statements, including statements regarding the business and anticipated financial performance of Rifco. 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, these being loan performance and continued access to capital. All future looking statements are made with the assumption that loans will perform as modelled 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.

Description of Non-IFRS Measures

Throughout this 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, descriptions have been provided in the MD&A. For clarity, specifically defined non-IFRS measures are capitalized throughout this document, as are other terms as defined in the Glossary of Other terms and Measures.

Management believes that some non-IFRS measures are useful for investors to use to evaluate the performance of the Company without certain IFRS requirements that some investors may consider to be unrelated to the underlying economic performance of the Company. **Management uses these non-IFRS measures to evaluate the performance of the Company.**

Specifically, management presents an Adjusted Net Income before tax measure, along with related adjusted sub-totals. Adjusted Net Income before tax Per Common Share, Adjusted Return Pre-Tax on Adjusted Equity Ratio and Adjusted Return Pre-Tax on Earning Assets Ratios are presented where Adjusted Net Income is used in the calculation in place of Net Income. Adjusted Operating expenses do not include expenses associated with the Strategic review process. **These measures do not have any standardized meaning under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.**

For the Description of Non-IFRS Measures please refer to the section "Description of Non-IFRS Measures".

Rifco Overview

Rifco is built on a foundation of trust, respect, empowerment, accountability and passion which are exhibited by each and every member of the Rifco team, as we collaboratively pursue our collective vision and do so in a manner that is consistent with our purpose.

Rifco's operations are currently through its sole, wholly owned subsidiary, Rifco National Auto Finance Corporation (RNAF). RNAF operates with a purpose to help its clients obtain a safe and reliable vehicle by providing alternative finance solutions. RNAF currently distributes its alternative finance products indirectly through select automotive dealer partners.

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 $1.1 billion.

Strategic Perspective

As market conditions dictate, management makes strategic decisions to exploit various segments of the credit spectrum. The anticipated Credit Spread, or the difference between expected yield and forecasted net credit losses, is the most important piece of information in making these decisions. The analysis and forecasting of the Credit Spread Rate allows management to target those credit segments which have the highest returns.

The Company manages two main strategic risk factors. First, the Company must possess competencies that drive acceptable credit performance. Second, 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.

The Company funds its originated finance receivables through its own equity, bank borrowing, securitization and the issuance of unsecured debentures. Rifco maintains strong funding relationships and has been able to receive increased levels of funding capacity as needed.

COVID-19

The COVID-19 pandemic and associated lockdowns and government interventions are a continuously evolving situation without historical precedent for comparison and prediction purposes.

Rifco was identified as an essential service in Alberta and has remained operational since the start of the pandemic.

The Company has undertaken a number of initiatives:

- Rifco's entire team has been operationally tested to work from home with full access to all necessary systems and tools
- Implemented extraordinary cleaning and hygiene practices, signage, and supplies
- Reduced office, workspace and meeting room density limits
- Reduced its human resources expenses
- Credit tightening, increased proof of income thresholds, prohibited lending to borrowers employed in certain industries and tightened business rules deliberately reduced originations. All restrictions have not yet been unwound
- Adapted existing payment deferral and modification tools to accommodate affected borrowers

Rifco's increased credit restrictions and documentation requirements have had a meaningful impact on near term origination levels.

In the quarter ended March 31, 2020, the company increased its provision for loan losses associated with otherwise unimpaired loans. The Company has maintained elevated provision ratios for unimpaired loans. To date, delinquency and loan losses have not increased versus the pre-COVID periods.

While many financial services providers offered 6-months 'no-payment' loan deferrals, Rifco focused on 1 to 3-months 'reduced-payment' deferrals. The COVID deferrals and loan payment modifications, that were previously granted, are now resolved. At the April 2020 peak, 10.9% of our loans had some degree of payment deferral in the month. Since the end of 2020, only 2.8% of accounts were remaining in some sort of temporary modified payment arrangement. Most of the accounts that did receive COVID deferrals, received them early in the fiscal year, and are now, since August, reporting as having full scheduled payments due. As such, these accounts are either paying as scheduled, or are reported as delinquent.

Market Perspective

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

Rifco's major competitors include three large Canadian financial institutions that currently control a large portion of the near-prime ("B" & "C" credit) market in Canada. In addition, a number of mid-sized and smaller competitors exist throughout the near-prime and non-prime credit spectrum. Prior competitive behavior, which management had thought to be unprofitable and ultimately unsustainable, appears to be negatively impacting some players in the industry. Management is seeing rationalization within the industry as competitors consolidate, sell assets and cease operations.

Rifco believes there is a possibility that the rationalization of the industry may accelerate in the current environment.

Strategic Review

On February 3, 2020 Rifco Inc. announced that they had entered into a definitive arrangement agreement pursuant to which CanCap Management Inc. (CanCap) would acquire all of the issued and outstanding common shares of Rifco. The agreement was subject to approval of 66 2/3% of the votes to be cast by Rifco shareholders at a special meeting of Rifco shareholders that was held on April 3, 2020. The motion passed.

CanCap delivered written notice to Rifco on March 27, 2020 alleging termination of the arrangement agreement among the Parties dated February 2, 2020 in respect of a statutory plan of arrangement under the *Business Corporations Act* of Alberta. CanCap alleged that what it described as "recent events" constituted a "Material Adverse Effect" on the business of Rifco under the terms of the Arrangement Agreement. As such, the Purchaser communicated that it did not intend to close the Arrangement.

Rifco subsequently filed a Statement of Claim that named both ACC Holdings Inc. (ACC) and CanCap as a defendant, and asserted that ACC and CanCap breached the terms of the arrangement agreement by failing to attend at closing and fund the transaction contemplated by the Arrangement Agreement, and by actively opposing the issuance of a final order. Rifco sought specific performance of the Arrangement Agreement as a remedy.

CanCap filed a Statement of Claim that sought an amount of "no less than" $1 million as an "Expense Reimbursement Payment" as a result of what the Purchaser said was a breach of the Arrangement Agreement, which was that Rifco failed to warn the Purchaser about COVID-19 and a decline in oil prices which the Purchaser said constituted a "Material Adverse Effect" on Rifco.

The parties entered into a full and final mutual release and settlement agreement dated July 29, 2020, whereby the parties have, inter alia, released each other from all claims in connection with the Arrangement Agreement in exchange for a payment by CanCap and ACC Holdings Inc. of an aggregate of $1.5M (the "Settlement Amount") to Rifco. The Settlement Amount was paid to Rifco on July 30, 2020. The income is netted against the strategic review process expenses.

Corporate Update

On December 14, 2020 Rifco Inc. announced the results of its Annual General and Special Meeting. The shareholders replaced the existing board and elected Tim Peterson, Jeffrey Newhouse, Jared Priestner, and Sean Aylward to serve as directors. In addition, Jeffrey Newhouse succeeded Bill Graham as Chief Executive Officer (CEO) of the Company.

The Board has established the following near-term objectives for RNAF:

- Right-size the organization relative to its current client base, and work towards achieving a consistent 4% return on assets (ROA) managed, as measured by net income before tax, adjusted for non-cash changes in provision for impairment;
- Grow our existing client base and vehicle units financed by 10% organically;
- Grow our existing client base and vehicle units financed through accretive acquisitions; and
- Foster a culture of innovation and continuous improvement and focus on delivering an exceptional client experience to all our stakeholders.

Rifco will continue to provide investors an update as to the future strategic direction of the Company in due course, as the Board and management complete their strategic review.

Results of Operations

The results of operations and cash flows for the period ended December 31, 2020 are presented in accordance with IFRS except for the adjusted line items.

The Company is reporting the following results over the comparable periods:

	As at		
	Dec 31, 2020	Mar 31, 2020	Dec 31, 2019
($,000's)			
Finance receivables	200,290	228,959	230,356
Total assets	201,593	228,328	233,081
Total liabilities	178,827	202,270	204,030
Adjusted Equity [1]	33,408	37,321	37,372
Equity	22,766	26,058	29,051
Delinquency Rate	3.97%	5.55%	5.32%

	For the three months ended		For the nine months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($,000's except per share and ratios)				
Financial revenue	8,584	9,819	26,578	29,630
Credit losses	2,145	4,327	6,738	12,428
Credit Spread	6,439	5,492	19,840	17,202
Adjusted Operating Expenses [1,2]	3,403	2,775	8,562	8,143
Adjusted Net Income (Loss) before Taxes [1,2]	711	(81)	3,835	621
Net income before taxes	208	398	5,615	269
Adjusted Net Income (Loss) before Taxes per Common Share - Basic [1,2]	$0.033	$(0.004)	$0.177	$0.029
Adjusted Net Income before Taxes per Common Share - Diluted	$0.033	$(0.004)	$0.177	$0.029
Net income (loss) per common share - Basic	$0.008	$0.009	$0.189	$0.007
Net income (loss) per common share - Diluted	$0.008	$0.009	$0.189	$0.007
Originations	17,882	27,155	36,674	84,305
Average loan receivables	197,611	225,815	206,664	225,538
Net Portfolio Yield	17.38%	17.38%	17.15%	17.51%
Credit Loss Rate	4.34%	7.66%	4.35%	7.34%
Credit Spread Rate	13.04%	9.72%	12.80%	10.17%
Financial Expense Ratio	4.71%	4.96%	4.80%	4.99%
Adjusted Operating Expense Ratio [1,2]	6.89%	4.93%	5.52%	4.80%
Adjusted Return Pre-Tax On Adjusted Equity [1,2]	7.72%	(0.87%)	14.46%	2.22%

[1] See the section "Description of Non-IFRS Measures" for these definitions

[2] Definition for Adjusted Net Income before Taxes has been revised to exclude the strategic review expenses and comparative period has been revised accordingly.

Adjusted Net Income before Taxes, for the year to date, is $3.8M, which is $3.2M higher than the comparable period of $0.6M. Adjusted Net Income before Taxes in the quarter of $0.7M was $0.8M higher than the comparable quarter loss of $0.1M and $1.6M lower than the preceding quarter of $2.3M. Adjusted Net Income before Taxes removes the effect of the non-cash provisions and the strategic review process expenses on net income before tax. Adjusted Net Income before Taxes accounts for the actual credit losses incurred in the period and is the measure that management uses to evaluate the performance of the Company in the period as it removes the volatility associated with the effect of estimates, assumptions and the strategic review expenses.

Net income before tax, for the year to date, increased by $5.3M to $5.6M from $0.3M in the comparable period. Net income before tax, for the quarter, decreased by $0.2M to $0.2M from $0.4M in the comparable quarter and a decrease of $2.5M from a net income before tax of $2.8M, in the preceding quarter.

Credit Spread is one of the most important measures used by management to evaluate the performance of the loan receivables over a period. The Credit Spread Rate increased 263 basis points for the year to date from 10.17% to 12.80%. The Credit Spread rate increased by 332 basis points over the comparative quarter from 9.72% to 13.04% and decreased 120 basis points from preceding quarter rate of 14.24%. Credit Spread has been positively impacted by improved results from the new custom credit model and pricing model.

Credit losses, including costs and net of recoveries, for the year to date, decreased by 45.78% from $12.4M, in the comparable period, to $6.7M in the current period. Credit losses, including costs and net of recoveries, for the quarter, decreased by $2.2M from $4.3M in the comparable quarter to $2.1M and increased by $0.5M from $1.7M, in the preceding quarter. The annualized Credit Loss Rate, for the year to date, decreased by 299 basis points to 4.35% from 7.34%, in the comparable period. The annualized Credit Loss Rate, for the quarter, decreased by 332 basis points to 4.34% from 7.66% in the comparable quarter and increased by 110 basis points from 3.24%, in the preceding quarter. While credit underwriting associated with the new custom credit model and improved collections and recovery procedures have had a positive impact on credit losses, they have also benefited from COVID-19 government support programs for affected borrowers.

The Financial Expense Ratio, for the year to date, decreased by 19 basis points from 4.99%, in the comparable period, to 4.80%. The Financial Expense Ratio, for the quarter, decreased by 25 basis points from 4.96% in the comparable quarter to 4.71% and decreased 9 basis points from 4.80%, in the preceding quarter. The treasury reorganization previously announced February 2020 has contributed to an improved overall cost of borrowing.

The Delinquency Rate decreased by 135 basis points to 3.97% from 5.32%, in the comparable period. The Delinquency Rate decreased 158 basis points from 5.55% at the beginning of the year. Continued government support programs for those impacted by COVID-19 has had a strong impact on the Company's Delinquency Rate. Loan modification and payment deferral programs are not currently having a material impact on delinquency results.

Adjusted Operating Expenses, for the year to date, increased by 5.15% from $8.1M to $8.6M, in the comparable period. Adjusted Operating Expenses, during the quarter, increased 22.63% from $2.8M in the comparable quarter to $3.4M and 34.29% from $2.5M, in the preceding quarter. The Adjusted Operating Expense Ratio increased by 72 basis points to 5.52% compared to 4.80% in the comparative period. The Adjusted Operating Expense Ratio, for the quarter, increased 196 basis points to 6.89% from 4.93%, in the comparative quarter, and 194 basis points from 4.95%, in the preceding quarter. The increased Adjusted Operating Expense Ratio was driven primarily by the declining Average Loan Receivables balance.

The Company posted year to date Originations of $36.7M, a 56.50% decrease from $84.3M, in the comparable period. The Company posted Originations for the current quarter of $17.9M which is a decrease of 34.15% to the comparable period which had Originations of $27.2. This decrease is primarily due to consumer trends and the internal restrictions on credit quality imposed by the company due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. With the lifting of some restrictions, Originations increased by 58.80% from $11.3M, in the preceding quarter, to $17.9M, in the current quarter.

Total financial revenue decreased 10.30% to $26.6M from $29.6M, in the comparable period, due to the shrinkage of the average portfolio size as principal reductions exceeded originations during the period. Total financial revenue decreased by 4.06% from $8.9M, in the preceding quarter, and 12.58% from $9.8M, in the comparative quarter, to $8.6M, in the current quarter.

Rifco is in regular contact with all of its funders and remains optimistic regarding the availability of bank borrowing and securitized facilities. Rifco has successfully completed multiple securitization tranches since the onset of the COVID-19 pandemic.

Rifco has leveraged its recent investments in its loan origination system and new credit model to enhance the automation of its credit decisioning. While all loans are verified prior to funding, approximately 80% of its credit decisioning is automated. Rifco believes that automation increases the integrity, accuracy, predictability, and reliability of decision making, improving ultimate credit spread. Automation also helps Rifco manage its operating expenses while the overall market is experiencing a decline in ultimate booking rates on applications seen.

Comparative Results for the Period

All income and expense items are measured against the average outstanding loan receivables in the period.

	For the three months ended				For the nine months ended			
	Dec 31, 2020		Dec 31, 2019		Dec 31, 2020		Dec 31, 2019	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	197,611		225,815		206,664		225,538	
Financial revenue	8,584	17.38%	9,819	17.38%	26,578	17.15%	29,630	17.51%
Credit losses	2,145	4.34%	4,327	7.66%	6,738	4.35%	12,428	7.34%
Credit Spread	**6,439**	**13.04%**	**5,492**	**9.72%**	**19,840**	**12.80%**	**17,202**	**10.17%**
Financial expenses	2,325	4.71%	2,798	4.96%	7,443	4.80%	8,438	4.99%
Adjusted Net Financial Income before Operating Expenses[1]	**4,114**	**8.33%**	**2,694**	**4.76%**	**12,397**	**8.00%**	**8,764**	**5.18%**
Adjusted Operating expenses [1]	3,403	6.89%	2,775	4.93%	8,562	5.52%	8,143	4.80%
Adjusted Net Income (Loss) before Taxes [1]	**711**	**1.44%**	**(81)**	**(0.17%)**	**3,835**	**2.48%**	**621**	**0.38%**
Strategic review process	-	0.00%	(123)	(0.20%)	500	0.32%	(163)	(0.11%)
(Increase) decrease in provision for impairment	(503)	(1.02%)	602	1.07%	1,280	0.83%	(189)	(0.11%)
Net income before taxes	**208**	**0.42%**	**398**	**0.70%**	**5,615**	**3.63%**	**269**	**0.16%**
Income tax expense	(31)	(0.06%)	(213)	(0.38%)	(1,523)	(0.98%)	(120)	(0.07%)
Net income	**177**	**0.36%**	**185**	**0.32%**	**4,092**	**2.65%**	**149**	**0.09%**
Adjusted Net Income (Loss) before Taxes per Common Share: [1]								
Basic	$0.033		$(0.004)		$0.177		$0.029	
Diluted	$0.033		$(0.004)		$0.177		$0.029	
Net income per common share:								
Basic	$0.008		$0.009		$0.189		$0.007	
Diluted	$0.008		$0.009		$0.189		$0.007	

[1] See the section “Description of Non-IFRS Measures” for these definitions

Financial Revenue

	For the three months ended				For the nine months ended			
	Dec 31, 2020		Dec 31, 2019		Dec 31, 2020		Dec 31, 2019	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	197,611		225,815		206,664		225,538	
Interest income	8,523	17.25%	9,451	16.74%	26,158	16.88%	28,136	16.63%
Discount income	504	1.02%	635	1.12%	1,545	1.00%	2,748	1.62%
Fee income	339	0.69%	566	1.00%	993	0.64%	1,362	0.81%
Gross Financial Revenue	9,366	18.96%	10,652	18.86%	**28,696**	**18.52%**	**32,246**	**19.06%**
Loan origination and acquisition costs	(782)	(1.58%)	(833)	(1.48%)	(2,118)	(1.37%)	(2,616)	(1.55%)
Financial revenue	**8,584**	**17.38%**	**9,819**	**17.38%**	**26,578**	**17.15%**	**29,630**	**17.51%**

Gross Portfolio Yield is comprised of the interest, discount, and fees earned before expensing the amortization of origination costs. Gross Portfolio Yield decreased by 54 basis points, for the year to date, from 19.06%, in the comparable period, to 18.52% in the current period due to the diminishing discount income associated with the shrinkage of the portfolio purchased in June 2018. Gross Portfolio Yield increased by 10 basis points from 18.86%, in the comparative quarter, to 18.96%, in the current quarter. Gross Portfolio Yield increased 24 basis points from 18.72%, in the preceding quarter. Net Portfolio Yield decreased by 36 basis points, for the year to date, from 17.51% in the prior period to 17.15% in the current period. Net Portfolio Yield during the quarter increased 0 basis points from 17.38% in the comparable quarter to 17.38%. Net Portfolio Yield during the quarter decreased 10 basis points from 17.48% in the preceding quarter.

As the portfolio purchased in June 2018 rapidly pays down, elevated interest and discount income has largely normalized. The purchased portfolio represents 1.92% of the total portfolio as of December 31, 2020 compared to 9.82% at time of purchase in June 2018.

Total financial revenue decreased 10.30% to $26.6M from $29.6M, in the comparable period, due to the shrinkage of the average portfolio size as principal reductions exceeded originations during the period. Total financial revenue decreased by 4.06% from $8.9M, in the preceding quarter, and 12.58% from $9.89.8M, in the comparative quarter, to $8.6M, in the current quarter.

The majority of loan receivables are comprised of near-prime vehicle purchase loans that are generally priced at risk-adjusted annual interest rates between 10% and 25%. Additionally, the Company has a non-prime lending program that is being offered through limited dealer partners. As part of the program, GPS and starter interrupter devices are required to be installed on each financed vehicle. The program delivers the Company a Net Portfolio Yield between 33% and 44%. Dealer partners pay a discount fee to the Company which increases the Net Portfolio Yield to the Company.

When the Company originates a loan 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 paid to dealers. The origination expenses are amortized over the life of the loan receivable and are netted against interest income. The year to date amortization of origination expenses decreased by 19.04% from $2.6M in the comparative period to $2.1M. The rate as a percentage of average loan receivables decreased by 18 basis points from 1.55% to 1.37% in the current period. The amortization of origination expenses decreased by 6.12% from $0.8M in the comparative period to $0.8M. The rate as a percentage of average loan receivables increased by 10 basis points from 1.48% to 1.58%, in the current quarter.

Credit Losses

Management intends to originate 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 budgeted as a significant expense. 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 Custom Credit model was implemented November 1, 2018. Rifco management focuses on achieving an attractive threshold Credit Spread Rate, rather than targeting a specific loss rate.

	For the three months ended				For the nine months ended			
	Dec 31, 2020		Dec 31, 2019		Dec 31, 2020		Dec 31, 2019	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	197,611		225,815		206,664		225,538	
Credit losses - net of recoveries	1,893	3.83%	3,824	6.77%	5,929	3.83%	11,017	6.51%
Repossession and recovery costs	252	0.51%	503	0.89%	809	0.52%	1,411	0.83%
Total Credit Losses	**2,145**	**4.34%**	**4,327**	**7.66%**	**6,738**	**4.35%**	**12,428**	**7.34%**

Credit losses, including costs and net of recoveries, for the year to date, decreased by 45.78% from $12.4M, in the comparable period, to $6.7M in the current period. Credit losses, including costs and net of recoveries, for the quarter, decreased by $2.2M from $4.3M in the comparable quarter to $2.1M and increased by $0.5M from $1.7M, in the preceding quarter. The annualized Credit Loss Rate, for the year to date, decreased by 299 basis points to 4.35% from 7.34%, in the comparable period. The annualized Credit Loss Rate, for the quarter, decreased by 332 basis points to 4.34% from 7.66% in the comparable quarter and increased by 110 basis points from 3.24%, in the preceding quarter. While credit underwriting associated with the new custom credit model and improved collections and recovery procedures have had a positive impact on credit losses, they have also benefited from COVID-19 government support programs for affected borrowers.

The Delinquency Rate decreased by 135 basis points to 3.97% from 5.32%, in the comparable period. The Delinquency Rate decreased 158 basis points from 5.55% at the beginning of the year. Continued government support programs for those impacted by COVID-19 has had a strong impact on the Company's Delinquency Rate. Loan modification and payment deferral programs are not currently having a material impact on delinquency results.

While many financial services providers offered 6-months 'no-payment' loan deferrals, Rifco focused on 1 to 3-months 'reduced-payment' deferrals. The COVID deferrals and loan payment modifications, that were previously granted, are now resolved. At the April 2020 peak, 10.9% of our loans had some degree of payment deferral in the month. Since the end of December, only 2.8% of accounts were remaining in some sort of temporary modified payment arrangement. Most of the accounts that did receive COVID deferrals, received them early in the fiscal year, are now, since August, reporting as having full scheduled payments due. As such, these accounts are either paying as scheduled, or are reported as delinquent.

Credit Loss Policy

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 120 days or are deemed to be otherwise uncollectable. Credit loss balances are continually pursued either through Rifco's employed collectors or through third party collection agency services. Recoveries are applied accordingly.

Credit Spread

	For the three months ended				For the nine months ended			
	Dec 31, 2020		Dec 31, 2019		Dec 31, 2020		Dec 31, 2019	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	197,611		225,815		206,664		225,538	
Financial revenue	8,584	17.38%	9,819	17.38%	26,578	17.15%	29,630	17.51%
Credit losses	2,145	4.34%	4,327	7.66%	6,738	4.35%	12,428	7.34%
Credit Spread	**6,439**	**13.04%**	**5,492**	**9.72%**	**19,840**	**12.80%**	**17,202**	**10.17%**

Credit Spread is one of the most important measures used by management to evaluate the performance of the loan receivables over a period. The Credit Spread Rate increased 263 basis points for the year to date from 10.17% to 12.80%. The Credit Spread rate increased by 332 basis points over the comparative quarter from 9.72% to 13.04% and decreased 120 basis points from preceding quarter rate of 14.24%. Credit Spread has been positively impacted by improved results from the new custom credit model and pricing model.

Financial Expenses

	For the three months ended				For the nine months ended			
	Dec 31, 2020		Dec 31, 2019		Dec 31, 2020		Dec 31, 2019	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	197,611		225,815		206,664		225,538	
Financial expense	2,325	4.71%	2,798	4.96%	7,443	4.80%	8,438	4.99%

Financial expense includes interest paid on bank borrowings, securitization debt, and unsecured debentures and also includes fees paid on borrowing.

The Financial Expense Ratio, for the year to date, decreased by 19 basis points from 4.99%, in the comparable period, to 4.80%. The Financial Expense Ratio, for the quarter, decreased by 25 basis points from 4.96% in the comparable quarter to 4.71% and decreased 9 basis points from 4.80%, in the preceding quarter. The treasury reorganization previously announced February 2020 has contributed to an improved overall cost of borrowing.

Operating Expenses

	For the three months ended				For the nine months ended			
	Dec 31, 2020		Dec 31, 2019		Dec 31, 2020		Dec 31, 2019	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	197,611		225,815		206,664		225,538	
Wage and benefits	2,008	4.06%	1,968	3.49%	5,794	3.74%	5,673	3.35%
Professional fees	746	1.51%	82	0.15%	873	0.56%	245	0.14%
Office and general	562	1.14%	523	0.93%	1,522	0.98%	1,590	0.94%
Stock based compensation	(26)	(0.05%)	44	0.08%	40	0.03%	178	0.10%
Depreciation and amortization	113	0.23%	158	0.28%	333	0.21%	457	0.27%
Adjusted Operating Expenses	**3,403**	**6.89%**	**2,775**	**4.93%**	**8,562**	**5.52%**	**8,143**	**4.80%**
Strategic review process	-	0.00%	123	0.20%	(500)	(0.32%)	163	0.11%
Operating Expenses	**3,403**	**6.89%**	**2,898**	**5.13%**	**8,062**	**5.20%**	**8,306**	**4.91%**

Adjusted Operating Expenses, for the year to date, increased by 5.15% from \$8.1M to \$8.6M, in the comparable period. Adjusted Operating Expenses, during the quarter, increased 22.63% from \$2.8M in the comparable quarter to \$3.4M and 34.29% from \$2.5M, in the preceding quarter. The Adjusted Operating Expense Ratio increased by 72 basis points to 5.52% compared to 4.80% in the comparative period. The Adjusted Operating Expense Ratio, for the quarter, increased 196 basis points to 6.89% from 4.93%, in the comparative quarter, and 194 basis points from 4.95%, in the preceding quarter. The increased Adjusted Operating Expense Ratio was driven primarily by the costs incurred by company and the concerned shareholder group in conjunction with the Annual General and Special Meeting of the Company as well as the declining Average Loan Receivables balance.

Summary of Quarterly Results

For the fiscal periods ended	2021		2020				2019		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
($,000's except per share & ratios)									
Finance receivables	200,290	205,174	215,069	228,959	230,356	229,787	230,101	228,535	234,507
Total assets	201,593	210,406	220,871	228,328	233,081	232,324	232,222	230,145	235,254
Total liabilities	178,827	180,370	192,967	202,270	204,030	203,503	203,023	201,421	206,447
Adjusted Equity	33,408	40,250	38,311	37,321	37,372	37,507	37,449	36,833	37,017
Shareholders' equity	22,766	30,036	27,904	26,058	29,051	28,821	29,199	28,724	28,806
Book Value Per Share	$1.05	$1.39	$1.29	$1.21	$1.35	$1.33	$1.35	$1.33	$1.33
Adjusted Book Value Per Share	$1.54	$1.86	$1.77	$1.73	$1.73	$1.74	$1.73	$1.71	$1.71
Stock price	$0.90	$0.94	$0.70	$0.79	$0.85	$0.85	$0.85	$0.90	$0.80
For the Period:									
Finance receivables originated	17,882	11,261	7,532	24,021	27,155	27,336	29,814	20,223	21,276
Average loan receivables	197,611	204,689	216,988	224,580	225,815	226,248	224,553	227,008	233,276
Total financial revenue	8,584	8,947	9,047	9,744	9,819	9,926	9,885	9,518	10,194
Adjusted Net Income (Loss) before Taxes [1]	711	2,295	827	660	(81)	113	588	37	(330)
Net income (loss) before taxes	208	2,752	2,653	(3,801)	398	(492)	362	177	282
Net income (loss)	177	2,103	1,810	(3,030)	185	(437)	400	(118)	181
Adjusted Net Income (Loss) before Taxes per Common Share:									
Basic	$0.033	$0.106	$0.038	$0.031	$(0.004)	$0.005	$0.027	$0.002	$(0.015)
Diluted	$0.033	$0.106	$0.038	$0.031	$(0.004)	$0.005	$0.027	$0.002	$(0.015)
Net income (loss) per common share:									
Basic	$0.008	$0.097	$0.084	$(0.140)	$0.009	$(0.020)	$0.019	$(0.005)	$0.008
Diluted	$0.008	$0.097	$0.084	$(0.140)	$0.009	$(0.020)	$0.019	$(0.005)	$0.008
Loan Receivable Performance Measures: [2]									
Net Portfolio Yield	17.38%	17.48%	16.68%	17.35%	17.38%	17.56%	17.60%	16.76%	17.48%
Credit Loss Rate	4.34%	3.24%	5.40%	6.17%	7.66%	7.72%	6.64%	6.51%	6.73%
Credit Spread Rate	13.04%	14.24%	11.28%	11.18%	9.72%	9.84%	10.96%	10.25%	10.75%
Delinquency Rate (over 30 days)	3.97%	3.43%	1.91%	5.55%	5.32%	6.15%	5.69%	5.46%	5.33%
Performance Measures: [2]									
Adjusted Efficiency Ratio	39.64%	28.32%	29.03%	29.90%	28.26%	26.47%	27.73%	30.82%	35.76%
Leverage Ratio [3]	6.03	5.23	5.77	6.12	6.24	6.19	6.20	6.25	6.36
Adjusted Return Pre-Tax on Adjusted Equity	7.72%	23.37%	8.75%	7.07%	(0.87%)	1.21%	6.33%	0.40%	(3.56%)
Ratios: [2]									
Financial Expense Ratio	4.71%	4.80%	4.90%	4.82%	4.96%	4.96%	5.04%	5.03%	5.06%
Adjusted Operating Expense Ratio	6.89%	4.95%	4.84%	5.19%	4.93%	4.63%	4.88%	5.18%	6.25%
Adjusted Return Pre-Tax on Earning Assets	1.44%	4.49%	1.54%	1.17%	(0.17%)	0.25%	1.04%	0.07%	(0.57%)

[1] Definition for Adjusted Net Income before Taxes has been revised to exclude the strategic review expenses and Q1, Q2 and Q3 2020 have been revised accordingly.

[2] Percentages have been annualized except Efficiency Ratio and Delinquency Rate

[3] Definition for Leverage Ratio has been revised to use Adjusted Equity which reflects management’s view of the leverage of the Company

Asset Review

Finance Receivables

Finance receivables decreased by $28.7M from $229.0M at March 31, 2020 to $200.3M at the end of the current period.

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.

The Company posted year to date Originations of $36.7M, a 56.50% decrease from $84.3M, in the comparable period. The Company posted Originations for the current quarter of $17.9M which is a decrease of 34.15% to the comparable period which had Originations of $27.2. This decrease is primarily due to consumer trends and the internal restrictions on credit quality imposed by the company due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. With the lifting of some restrictions, Originations increased by 58.80% from $11.3M, in the preceding quarter, to $17.9M, in the current quarter.

	As at			
	Dec 31, 2020		Mar 31, 2020	
($,000's)				
Finance receivables - securitized	155,720	77.75%	169,938	74.22%
Finance receivables - securitized (over-collateralization) [1]	20,147	10.06%	23,442	10.24%
Finance receivables - owned	24,423	12.19%	35,579	15.54%
Total	**200,290**	**100.00%**	**228,959**	**100.00%**

[1] Additional finance receivable collateral is provided as over-collateralization security to some securitizers.

Average loan receivables for the year to date decreased 8.37% to $206.7M from $225.5M, in the comparable period. The decline can be primarily attributed to extremely low origination volumes due to the impact of the COVID-19 pandemic.

Cash Holdback and Over-Collateralization in Finance Receivables Securitized

When securitizing finance receivables, finance receivable over-collateralization is used. In some cases, this is used in combination with cash holdback in order to protect against the risk of prepayment and credit losses. 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. The amount of cash holdback is determined at the time of sale based on average loan terms, credit grades, and finance receivable over-collateralization. Utilizing an over-collateralization component allows for a lower level of the cash holdback. This reduces the Company's financial expense.

At period end, the total cash holdback was $17.7M compared to $18.8M at the prior year end. During the period, the Company received cash holdback releases of $5.7M compared to $4.6M, in the comparable period.

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 Company's theoretical maximum exposure to credit losses on securitized finance receivables. However, management is of the opinion that in typical circumstances the entirety of the credit losses will be borne by the Company.

Each of the Company's securitization facilities feature loan over-collateralization. The ratio of over-collateralization is between 5% and 20%, resulting in a fraction of the finance receivables payment stream being securitized. As payments are collected from borrowers, the Company is obligated to remit a portion of each payment to the securitizer. The remaining 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 percentage (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 share of each borrower's payment would be deposited into a cash holdback account until the facility default is resolved.

The following table shows the effect that the total cash holdback has on the securitized debt.

	As at	
	Dec 31, 2020	Mar 31, 2020
($,000's)		
Total securitized debt	173,926	196,364
Total cash holdback	(17,732)	(18,797)
Securitized debt	**156,194**	**177,567**

Deferred Income Tax Asset

The Company's Deferred Income Tax Asset consists primarily of the temporary timing difference of the loan loss provision. Taxable income is calculated using actual loan losses and does not consider provisioning.

Provision for Impairment

The provision for impairment does not impact the ultimate net charge-off rate of the Company's finance receivable portfolio, which is driven by borrowers' credit profile and behavior. The Company will continue to write off loans when they either exceed 120 days or are deemed to be otherwise uncollectable. The provision for impairment only changes the timing of the recognition of loan losses. Likewise, the cash flows used in and generated by the Company's finance receivables are not impacted by the provision for impairment as any change in the estimated allowance for loan losses is a non-cash item.

The provision for impairment and ultimate carrying value of finance receivables, are not a reflection of the actual economic value of the loan portfolio, but rather, a calculation of the acquisition cost minus future expected losses with no recognition of inherent value or future revenue of the loan portfolio.

Determining the provision for impairment required overlaying the COVID-19 effects and the related factors such as: the duration of the lock-down conditions, the effectiveness and duration of government relief programs, amongst other factors – are especially uncertain. As the COVID-19 pandemic is a rapidly evolving situation, the scenarios applied, and results obtained could be especially susceptible to volatility.

	For the three months ended		For the nine months ended	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
($,000's)				
Credit losses net of recoveries for the Period	1,893	3,824	5,929	11,017
Repossession and recovery costs for the Period	252	503	809	1,411
Provision for impairment and credit losses for the Period	(2,648)	(3,725)	(5,458)	(12,617)
Decrease (increase) in provision for impairment	**(503)**	**602**	**1,280**	**(189)**

The increase in the provision for impairment and credit loss for the period is due to the increased weighting placed on the downside scenario and increased estimates of loss given default due to the uncertainty associated with the second wave of the COVID-19 pandemic and associated lockdowns partially offset by the declining balance of finance receivables.

Financial Capacity, Liability, and Liquidity Review

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 finance receivables, the Company uses two bank borrowing facilities totaling $22.5M and three securitization facilities totaling $137.5M. The Company's combined credit facilities total $160.0M of which there was $94.5M in remaining capacity at period end. While this represents the currently available capacity, the annually renewing nature of two of the securitization facilities, and our 15-year history of successfully obtaining these renewals suggests actual future availability may be much higher.

Facility Availability Summary

As at Dec 31, 2020	Limit	Utilized	Available	Renewal Date
($,000's)				
Bank Borrowing - Connect First Credit Union Ltd.	2,500	-	2,500	Non-Expiring
Bank Borrowing - Canadian Schedule 1 Chartered Bank	20,000	4	19,996	29-Jan-21
Securitization - Securcor Trust [1]	50,000	16,674	33,326	31-Jul-21
Securitization - Connect First Credit Union Ltd. [2]	47,500	29,376	18,124	Non-Expiring
Securitization - Canadian Schedule 1 Chartered Bank	40,000	19,428	20,572	29-Jan-21
Total active facilities	**160,000**	**65,482**	**94,518**	
Non-readvanceable facilities [3]	114,482	114,482	-	
Total	**274,482**	**179,964**	**94,518**	

[1] Calculated as the sum of Tranches received, does not include repayments, and does not equal Securitized Debt.

[2] Revolving Securitization Facility

[3] Reported as the Securitized Debt that is now removed from facility utilization. Amounts are not readvanceable.

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 (v) term debt, and (vi) equity. The Company's primary use of cash is the funding of finance receivables and the funding of working capital.

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.

Rifco's increased loan loss provision in quarter four of fiscal 2020 relating to the uncertainty created by the COVID-19 pandemic created a covenant violation with its funders relating to EBITDA, despite being a non-cash forward-looking estimate. Subsequent to March 31, 2020, a renewal of the facility of comparable size and terms was obtained. The facility no longer has an EBITDA covenant. The Company is in compliance with all covenants under the new facility.

Total Debt to Tangible Net Worth Ratio	As at	
No greater than 10.0x	**Dec 31, 2020**	**Mar 31, 2020**
($,000's except ratios)		
Total Debt	168,640	189,113
Tangible Net Worth	32,658	37,200
Total Debt to Tangible Net Worth Ratio	5.16	5.08

[1] See the section "Description of Non-IFRS Measures" for these definitions

Bank Borrowing

Bank borrowings is comprised of two credit facilities.

The Company has a revolving credit facility with Connect First Credit Union Ltd. of $2.5M. The Company has provided a general security agreement covering all Company assets that is subordinated to the registered senior debt holders. The facility does not have any expiry date and is due on demand. The amount drawn on this facility at period end was Nil.

The Company obtained a revolving credit facility with a Canadian Schedule I Chartered Bank for $20.0M effective January 29, 2020. This facility functions as a warehouse facility and finances the capital cost of an originated loan less one month's payment for up to 90 days. After 90 days, the Company must either securitize the loan with the Canadian Schedule I Chartered Bank or another approved financial institution. The facility has a January 29, 2021 renewal date. The amount drawn on this facility at period end was $0.0M.

On January 29, 2021, Rifco received notification of the successful annual renewal of its warehouse facility. The facility was decreased from $20.0M to $10.0M at Rifco's request to manage the cost of stand-by fees. The other terms and conditions of the warehouse facility largely remain the same.

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 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 February 2021 and November 2025. The Company has been successful in renewing or replacing maturing unsecured debentures in the past.

Unsecured debentures issued and outstanding decreased by $1.3M from $11.5M at prior year end to $10.2M.

Securitization Facilities

The Company maintains securitization facilities with Securcor Trust and a Canadian Schedule I Charter Bank. The securitization debt with Securcor Trust and a Canadian Schedule I Charter Bank are annual committed facilities and future renewals are independent of previous facilities. The current annual commitment of the Securcor Trust facility is $50.0M and has a $16.7M utilization for the current period. Rifco has a 15-year history of successfully renewing its annual securitization facilities.

The Company's securitization facility with a Canadian Schedule I Charter Bank facility had $19.4M utilization for the current period. This facility has an annual expected utilization of $40.0M and a renewal date of January 29, 2021.
On January 29, 2021, Rifco received notification of the successful annual renewal of its securitization debt facility. The terms and conditions of the facility largely remain the same.

The securitization facility with Securcor Trust is subject to certain covenants. These covenants include a maximum debt to tangible net worth ratio, a minimum tangible net worth covenant and 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 facility, receiving future releases from the cash holdback or being forced to remit the full payment stream from over collateralized loans.

As at December 31, 2020, the Company was in compliance with all covenants. As at March 31, 2020 the Company was not in compliance with its EBITDA covenant with respect to securitization debt due to the significant increase in loan loss provisioning in anticipation of the impact of COVID-19. Subsequent to March 31, 2020, a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The new covenants were applied retroactively to March 31, 2020. The Company is in compliance with all covenants under the new facility.

The Company maintains a revolving $47.5M securitization facility with Connect First Credit Union Ltd. The securitization facility includes three additional Alberta Credit Unions, with Connect First Credit Union Ltd. The facility has no expiry date. The facility has a fixed limit of $47.5M and was utilized to $29.4M at December 31, 2020.

The Company regularly securitizes loans in order to free up bank borrowing capacity, increase working capital and fix funding rates and terms.

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

- Growth rate of originations
- Management of key financial ratios
- Securitization pricing in context of other financing alternatives

If required, the Company's liquidity can be positively impacted by securitizing owned finance receivables. Owned finance receivables have decreased by $11.2M to $24.4M at December 31, 2020 from $35.6M at March 31, 2020. Securitization of finance receivables would typically contribute net cash proceeds at the time of the transaction.

The Company originated $36.7M in finance receivables in the period and securitized $45.3M in loan principal representing 123.6% of originations.

The Company is in regular contact with all of its funders and remains optimistic regarding the availability of bank borrowing facilities and securitized facilities through the current fiscal period and beyond. The Company manages origination rates, credit facilities, and Net Financing Margin in order to maximize liquidity and maintain acceptable profitability. The interest 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

	For the three months ended		For the nine months ended	
	Dec 31, 2020	**Dec 31, 2019**	**Dec 31, 2020**	**Dec 31, 2019**
($,000's except per share)				
Net cash flows from (used in) operating activities	5,877	(58)	32,991	(420)
Funds advanced on finance receivables	17,882	27,155	36,674	84,305
Principal collections of finance receivables	(20,874)	(22,762)	(59,415)	(71,467)
Credit losses net of recoveries	(1,893)	(3,824)	(5,929)	(11,017)
Income taxes paid	9	3	9	3
Origination costs and discounts - net	783	1,204	2,091	3,983
Settlement received	-	-	(1,500)	-
Other receivables, payables and prepaid expenses	(237)	(1,002)	1,906	(1,910)
Modified Funds Flow From Operations	**1,547**	**716**	**6,827**	**3,477**
Weighted average number of common shares	21,628	21,597	21,612	21,597
Modified Funds Flow From Operations per share	**$ 0.07**	**$ 0.03**	**$ 0.32**	**$ 0.16**

The Modified Funds Flow from Operations table provides useful information as it is not directly impacted by variability in the level of loan Originations. Modified Funds Flow from Operations represents cash generation for the period excluding activities relating to the finance receivables balance.

Modified Funds Flow from Operations was $6.8M in the current period, a 96.35% increase from $3.5M in the comparative period. Modified Funds Flow from Operations was $1.5M, in the current quarter, a 116.20% increase from $0.7M, in the comparative quarter. Modified Funds Flow from Operations of $0.32 per share for the period, compared with $0.16 per share in the comparative period.

Equity

	As at	
	Dec 31, 2020	Mar 31, 2020
($,000's except per share)		
Adjusted Equity	33,408	37,321
Less: Provision for impairment - after tax [1]	10,642	11,263
Equity	**22,766**	**26,058**
Shares outstanding	21,750	21,597
Adjusted Book Value per Share	$1.54	$1.73
Book value per share	$1.05	$1.21

[1] Current weighted average tax rate of 23.66% assumed constant for life of provision for impairment for Dec 31, 2020. Weighted average tax rate of 26% assumed constant for life of provision for impairment for Mar 31, 2020.

Equity decreased to $22.8M from $26.1M at March 31, 2020. Adjusted Equity decreased by $3.9M to $33.4M from $37.3M. Adjusted Book Value Per Share decreased to $1.54 from $1.73 at March 31, 2020. The decrease is due to the $0.35 per common share dividend declared and paid in December 2020 offset by earnings in the period.

Leverage Measurements

	As at	
	Dec 31, 2020	Mar 31, 2020
($,000's except ratio)		
Total assets	201,593	228,328
Adjusted Equity	33,408	37,321
Leverage Ratio	**6.03**	**6.12**

The Leverage Ratio has decreased from 6.12 at year end to 6.03 at period end. The decrease is due to the decrease in total asset balance offset by the decrease in adjusted equity due to the common share dividend paid.

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 lease liability consists of premises lease commitments. 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)					
Accounts payable and accruals	9,721	-	-	-	9,721
Securitization debt - undiscounted [1]	55,598	115,673	22,625	828	194,724
Unsecured debentures [2]	2,923	7,237	1,797	-	11,957
Lease liability [3]	254	558	615	383	1,810
Purchase obligations [4]	163	83	-	-	246
Total contractual obligations	**58,938**	**123,551**	**25,037**	**1,211**	**208,737**

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

[2] Unsecured debentures – repayments of principal and future interest

[3] Lease liabilities is presented as total stream of payments.

[4] Purchase obligations – an agreement to purchase goods or services that is enforceable and legally binding to the Company. The Company's obligations are for its software agreements.

Management and Board of Directors Compensation

As at December 31, 2020, the Company had four executive officers that receive regular employment income (including bonuses). On December 11, 2020 the existing CEO resigned from the Company and was replaced. The total amount paid to the four executive officers, including contractual severance to the previous CEO, during the period was $1.0M which is an increase of $0.2M from the $0.8M paid in the comparative period. Executive officers also receive certain approved itemized expense reimbursement.

On December 11, 2020 the number of directors of the Company was reduced from six directors, five of which were independent, to four directors, three of which are independent. Each director, other than the CEO, receives an annual retainer of $13,333 and an additional $3,333 for Chairman of the Board and $2,000 for Committee Chairman positions held. Non-management directors receive meeting fees of $500 per day or $250 per day for virtual meetings and reimbursement of normal travel expenses. The fees and non-cash stock based compensation paid to independent directors in the period was $0.0M compared to $0.1M, in the comparable period, in addition to normal itemized expense reimbursement.

The CEO is a director but does not receive any additional compensation for services rendered in such capacity.

Related Party Balances and Transactions

During the quarter, 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 debentures held by related parties was $1.8M (March 31, 2020 - $3.0M). 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 $1.8M (March 31, 2020 - $1.7M) in debentures with varying terms. In addition, $0.0M (March 31, 2020 - $1.3M) in debentures with varying terms are 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 $0.1M compared to $0.2M, in the comparable period.

Costs incurred by the concerned shareholder group in conjunction with the Annual General and Special Meeting of the Company were paid by the Company in the amount of $0.4M. These amounts were recorded as operating expenses in the quarter.

Risk 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

Consumer protection legislation specifically targeting high rate lenders is being introduced and/or being signed into law in various jurisdictions across Canada. Management is actively monitoring proposed and effective legislation, as well as participating in feedback exercises, primarily through its legal advisors and trade associations. Any legislation currently proposed is not expected to materially impact the Company's operations. 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 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.

The lockdowns associated with the COVID-19 pandemic have significantly impacted automobile sales and have therefore decreased Rifco loan originations with the most noticeable impact beginning in April. The current COVID-19 pandemic and associated lock-downs could also foreseeably impact the timing and values obtained in vehicle liquidation.

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 the issuance of unsecured debentures, increasing or decreasing debt or by undertaking other activities, such as new share issuances, as deemed appropriate under the specific circumstances. The Company's liquidity and funding strategies and objectives have not changed significantly from the prior year.

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 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 net worth ratio, a maximum debt to tangible net worth ratio and a maximum delinquency and Credit Loss Rate and a Marginal Asset Test covenant. 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 Canadian Schedule 1 Chartered Bank facility is subject to certain covenants. These covenants include a minimum net worth, and a maximum delinquency and Credit Loss Rate. 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. Some of 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 sometimes 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. 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 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 minimal 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 significant 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. Management uses these measures to evaluate performance of the Company. These non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Adjusted Book Value Per Share – Adjusted Equity divided by the total number of issued and outstanding common shares.

Adjusted Efficiency Ratio – Adjusted Operating Expenses divided by financial revenue reported as an annualized percentage.

Adjusted Equity – Shareholders equity plus after tax provision for impairment.

Adjusted Net Income Before Taxes – Income before taxes adjusted for non-cash change in provision for impairment and expenses related to the Strategic review process.

Adjusted Net Financial Income Before Operating Expenses – Net financial income before operating expenses adjusted for non-cash change in provision for impairment.

Adjusted Net Income Before Tax Per Common Share – Adjusted Net Income Before Taxes divided by average common shares outstanding.

Adjusted Operating Expenses – Operating expenses less expenses associated with the Strategic review process

Adjusted Operating Expense Ratio – Adjusted Operating Expenses as a percentage of average loan receivables.

Adjusted Return Pre-Tax on Adjusted Equity – Adjusted Net Income Before Taxes as a percent of average Adjusted Equity.

Adjusted Return Pre-Tax on Earning Assets – Adjusted Net Income Before Taxes as a percent of average loan receivables.

Modified Funds Flow from Operations – Includes cash generation for the period excluding activities relating to finance receivables advanced and collected, origination costs, income taxes and others shown on statement of cash flows in the financial statements.

Modified Funds Flow from Operations Per Share – Modified Funds Flow from Operations divided by the average number of issued and outstanding common shares.

Glossary of Other Terms and Measures

Contract Interest Rate – The implicit interest rate that is utilized to calculate the borrower's regularly schedule payment.

Credit Loss Rate – The total of all credit losses, including all repossession and recovery expenses for the period divided into the average loan receivables, expressed as an annualized percentage.

Credit Spread – Total financial revenue less total credit losses.

Credit Spread Rate – Net Portfolio Yield less Credit Loss Rate.

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.

Delinquency Rate – Delinquent finance receivables divided by the total finance receivables expressed as a percentage.

Financial Expense Ratio – Financial expenses for the period as a percentage of average loan receivables, annualized.

Gross Portfolio Yield – The sum of interest income, discount income and fee income divided by average loan receivables reported as an annualized percentage.

Gross Financial Revenue – Financial revenue plus amortization of origination costs.

Leverage Ratio – Assets divided by Adjusted 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.

Net Financing Margin - Net financing income before impairment divided by average finance receivables reported as an annualized percentage.

Net Portfolio Yield – Financial revenue divided by average loan receivables reported as an annualized percentage.

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

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.

Tangible Net Worth – Total equity plus unsecured debentures minus intangible assets (including unamortized leasehold improvements), amounts due by officers, subsidiaries and/or related parties.

Total Debt – Total bank debt, accounts payable and accruals, income taxes payable and securitization debt.

Rifco Inc.

Condensed Consolidated Interim Financial Statements (unaudited)

For the three and nine months ended December 31, 2020 and 2019

Rifco Inc.
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For the three and nine months ended December 31, 2020 and 2019

Rifco Inc.
Consolidated Interim Statements of Financial Position (unaudited)
(In thousands of Canadian dollars)

As At

	Notes	December 31, 2020 $	March 31, 2020 $
ASSETS			
Cash	13	7,290	6,039
Finance receivables - net	3, 7, 13	190,007	217,326
Other receivables and prepaid expenses		603	619
Income taxes receivable		-	3
Property and equipment		546	610
Right of use asset		996	1,117
Software		119	239
Deferred income tax asset	4	2,032	2,375
Total Assets		**201,593**	**228,328**
LIABILITIES AND EQUITY			
Accounts payable and accruals	8	9,721	10,163
Income taxes payable		1,169	-
Bank borrowings	5, 8, 13	2	1,384
Unsecured debentures	6, 8, 12, 13	10,188	11,471
Securitization debt	7, 8, 13	156,194	177,567
Lease liabilities	8	1,553	1,685
Total Liabilities		**178,827**	**202,270**
Equity			
Share capital	9	7,870	7,614
Contributed surplus	9	4,045	4,084
Retained earnings		10,851	14,360
Total Equity		**22,766**	**26,058**
Total Liabilities and Equity		**201,593**	**228,328**

Subsequent events 15

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

Rifco Inc.
Consolidated Interim Statements of Comprehensive Income (unaudited)
(In thousands of Canadian dollars)

		For the three months ended		For the nine months ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Notes	$	$	$	$
Financial revenue		8,584	9,819	26,578	29,630
Financial expense	12	2,325	2,798	7,443	8,438
Net financial income before impairment and credit losses		**6,259**	**7,021**	**19,135**	**21,192**
Provision for impairment and credit losses	3	2,648	3,725	5,458	12,617
Net financial income before operating expenses		**3,611**	**3,296**	**13,677**	**8,575**
Operating expenses					
Wages and benefits	12	2,008	1,968	5,794	5,673
Professional fees	12	746	82	873	245
Office and general	11	562	523	1,522	1,590
Stock based compensation	9, 12	(26)	44	40	178
Depreciation and amortization		113	158	333	457
Strategic review process	14	-	123	(500)	163
Total operating expenses		**3,403**	**2,898**	**8,062**	**8,306**
Net income before taxes		**208**	**398**	**5,615**	**269**
Current income tax (expense) recovery	4	(184)	152	(1,234)	152
Deferred income tax recovery (expense)	4	153	(365)	(289)	(272)
Total income tax expense		**(31)**	**(213)**	**(1,523)**	**(120)**
Net income and comprehensive income for the period attributable to equity holders		**177**	**185**	**4,092**	**149**
Net earnings per common share					
Basic	10	$ 0.008	$ 0.009	$0.189	$ 0.007
Diluted	10	$ 0.008	$ 0.009	$0.189	$ 0.007

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

Rifco Inc.
Consolidated Interim Statements of Changes in Equity (unaudited)

(In thousands of Canadian dollars)

For the nine months ended December 31, 2019	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
As at March 31, 2019		7,614	3,868	17,242	28,724
Net income and comprehensive income for the period		-	-	149	149
Stock based compensation	9	-	178	-	178
As at December 31, 2019		**7,614**	**4,046**	**17,391**	**29,051**

For the nine months ended December 31, 2020	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
As at March 31, 2020		7,614	4,084	14,360	26,058
Net income and comprehensive income for the period		-	-	4,092	4,092
Dividends declared	9	-	-	(7,601)	(7,601)
Exercise of Options	9	256	(79)	-	177
Stock based compensation	9	-	40	-	40
As at December 31, 2020		**7,870**	**4,045**	**10,851**	**22,766**

Rifco Inc.

Consolidated Interim Statements of Cash Flows (unaudited)

(In thousands of Canadian dollars)

For the three and nine months periods ended December 31, 2020 and 2019

	Notes	For the three months ended December 31, 2020 $	For the three months ended December 31, 2019 $	For the nine months ended December 31, 2020 $	For the nine months ended December 31, 2019 $
Operating activities					
Net income and comprehensive income for the period attributable to equity holders		177	185	4,092	149
Adjustments for:					
Depreciation and amortization		113	158	333	457
Increase (decrease) in provision for impairment	3	503	(602)	(1,280)	189
Stock based compensation	9, 12	(26)	44	40	178
Income tax expense	4	31	213	1,523	120
Financial expense		2,325	2,798	7,443	8,438
Interest paid		(2,342)	(2,827)	(7,460)	(8,467)
Financing costs		(54)	(132)	(110)	(281)
Amortization of origination and financing costs		821	879	2,246	2,694
Cash flows from operating activities before the following:		1,548	716	6,827	3,477
Funds advanced on finance receivables		(17,882)	(27,155)	(36,674)	(84,305)
Principal collections of finance receivables		20,874	22,762	59,415	71,467
Credit losses net of recoveries	3	1,893	3,824	5,929	11,017
Income taxes paid		(9)	(3)	(9)	(3)
Origination costs and discounts - net		(783)	(1,204)	(2,091)	(3,983)
Settlement received		-	-	1,500	-
Other receivables, payables and prepaid expenses		236	1,002	(1,906)	1,910
Net cash flows from (used in) operating activities		5,877	(58)	32,991	(420)
Investing activity					
Purchase of property and equipment		(20)	-	(28)	-
Purchase of software		-	(29)	-	(29)
Net cash flows used in investing activities		(20)	(29)	(28)	(29)
Financing activities					
Repayments of bank borrowings	5	(2,513)	(39,839)	(3,956)	(96,616)
Net advances from bank borrowings	5	2,502	21,132	2,548	67,607
Repayments of unsecured debentures	6	(360)	(820)	(1,310)	(2,270)
Advances from unsecured debentures	6	25	500	25	1,875
Repayments of term debt		-	(4,637)	-	(7,269)
Repayments of securitization debt	7	(25,984)	(25,170)	(71,987)	(72,187)
Advances from securitization debt	7	24,267	48,140	50,524	108,470
Repayments of lease liability		(45)	(27)	(132)	(87)
Issuance of Common Shares	9	177	-	177	-
Dividends Paid		(7,601)	-	(7,601)	-
Net cash flows used in financing activities		(9,532)	(721)	(31,712)	(477)
(Decrease) increase in cash		(3,675)	(808)	1,251	(926)
Cash, beginning of period		10,965	3,086	6,039	3,204
Cash, end of the period		7,290	2,278	7,290	2,278

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 financing. 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 network of select new and used vehicle retailers. The Company operates in all provinces in Canada except Quebec. The Company, and its subsidiary, are incorporated under the laws of Alberta. The Company's registered office is Suite 702, 4909 49 Street, Red Deer, Alberta, T4N 1V1.

2. Basis of preparation

Statement of compliance

The unaudited Condensed Consolidated Interim Financial Statements (Interim Financial Statements) of the Company have been prepared in compliance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and adopted by the Chartered Professional Accountants of Canada ("CPA"). Accordingly, certain information and footnote disclosure normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed and, therefore, these Interim Financial Statements should be read in conjunction with the annual audited financial statements for the fiscal year ended March 31, 2020.

These Interim Financial Statements for the for the three and nine months ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors on February 23, 2021.

Basis of presentation

These Interim Financial Statements include the financial information of Rifco Inc., Rifco National Auto Finance Corporation, a 100% owned subsidiary and Rifco Trust, a special-purpose, bankruptcy-remote charitable trust, set up for financing of receivables, where Rifco maintains control over the servicing of the receivables and retains financial interest in the residual returns of the receivables.

These Interim Financial Statements are stated in Canadian dollars, which is the functional currency of the Company, and have been prepared on a historical cost basis, except for certain financial assets and liabilities which are measured at fair value.

Use of estimates and judgments

The preparation of the Interim Financial Statements in accordance with 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.

3. 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.

Contractual loan payments, including principal and interest due under finance receivables in 12-month increments are as follows:

	December 31, 2020	March 31, 2020
($, 000's)		
Next 12 months	70,634	77,592
13 to 24 months	65,641	72,785
25 to 36 months	58,321	66,174
37 to 48 months	47,831	56,047
49 to 60 months	34,308	42,007
61 months and over	23,851	33,755
Gross finance receivables	300,586	348,360
Less unearned interest	(105,123)	(124,561)
Loan receivables	195,463	223,799
Accrued interest and fees	4,827	5,160
Finance receivables	**200,290**	**228,959**
Unamortized origination costs	5,146	5,860
Unamortized discounts	(1,489)	(2,273)
Less provision for impairment	(13,940)	(15,220)
Finance receivables - net	**190,007**	**217,326**

Gross finance receivables include all scheduled payments of principal and interest to be made by the customer. Finance receivables are secured by motor vehicle collateral and registered with the applicable provincial personal property registry.

The aging analysis of finance receivables is as follows:

	December 31, 2020		March 31, 2020	
($, 000's except %)				
Current	192,343	96.03%	216,242	94.45%
31 – 60 Days	4,502	2.25%	7,121	3.11%
61 – 90 Days	1,986	0.99%	3,425	1.50%
> 90 Days	1,459	0.73%	2,171	0.94%
Finance receivables	**200,290**	**100.00%**	**228,959**	**100.00%**

The following table outlines the internal credit grading at time of origination of loan receivables.

	December 31, 2020	March 31, 2020
($, 000's)		
Near-prime	174,903	198,786
Non-prime	20,560	25,013
Loan receivables	**195,463**	**223,799**

The Company sometimes modifies the terms of loans provided to customers due to renegotiations, or for distressed loans, with a view of maximizing recovery. Such modification activities include extended payment term arrangements, interest rate adjustments and payment forgiveness. Modification policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. While in modification, the loans appear current and continue to accrue interest. Any loan that is currently under modification is classified as Stage 2 (under performing) or Stage 3 (credit impaired).

As at December 31, 2020, there were $4.6M (March 31, 2020 – $10.3M) of finance receivables, constituting 2.3% (March 31, 2020 – 4.5%) of the total balance, that have been modified such that the cash flow of those loans has been significantly (>10%) impacted. Of the loans in permanent modification, 65.35% are in Stage 1 (March 31, 2020 – 77.02%).

The COVID-19 pandemic required a significant variation from normal loan modification volumes. Management authorized the use of existing payment arrangement programs designed to help a borrower transition from employment income, to government assistance and back to employment income by providing temporary partial and full deferrals of payments for up to three months. Management believes this program provides the best net present value of payments result possible. While these COVID-19 payment arrangement options were available towards the very end of the 2020 fiscal year, only a nominal amount were granted prior to year end. The payment arrangements were largely granted in the first quarter of fiscal year 2020. As of December 31, 2020, Rifco has 0.17% of its accounts in a COVID-19 related deferral. In general, these loan modifications do not have a significant impact (>10%) on the cash flow of the loan due to the short-term nature of these modifications.

A summary of the changes in provision for impairment by stage is as follows:

	Provision carrying amount			
	Stage 1 (performing)	Stage 2 (under performing)	Stage 3 (credit impaired)	Total
($, 000's)				
Provision for impairment as at March 31, 2019	**7,712**	**632**	**2,763**	**11,107**
Provision on loans originated, at time of origination	2,926	-	-	2,926
Change in provision for impairment after origination	(3,157)	(136)	556	(2,737)
Provision for impairment as at December 31, 2019	**7,481**	**496**	**3,319**	**11,296**
Provision for impairment as at March 31, 2020	**10,423**	**1,000**	**3,797**	**15,220**
Provision on loans originated, at time of origination	2,090	-	-	2,090
Change in provision for impairment after origination	(2,716)	(47)	(607)	(3,370)
Provision for impairment as at December 31, 2020	**9,797**	**953**	**3,190**	**13,940**

The breakdown of the provision for impairment and credit losses for the period is as follows:

	Three months ending		Nine months ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
($, 000's)				
Provision for impairment at end of period	13,940	11,296	13,940	11,296
Provision for impairment at beginning of period	13,437	11,898	15,220	11,107
Increase (decrease) in provision for impairment	**503**	**(602)**	**(1,280)**	**189**
Credit losses net of recoveries for the period	1,893	3,824	5,929	11,017
Repossession and recovery costs for the period	252	503	809	1,411
Provision for impairment and credit losses for the period	**2,648**	**3,725**	**5,458**	**12,617**

Determining the inputs required for the calculation of the expected credit losses (ECLs) requires significant estimation uncertainty. In particular, overlaying the COVID-19 effects and the related factors such as: the duration and extent of the lock-down conditions, the effectiveness and duration of government relief programs, amongst other factors – are especially uncertain. As the COVID-19 pandemic is a continuously evolving situation, the scenarios applied, and results obtained could be especially susceptible to volatility.

As at March 31, 2020, the provision was increased due to the unknown impact of the COVID-19 pandemic. In the current periods, the decrease in the provision for impairment is largely due to the declining balance of the underlying finance receivables.

An analysis of the changes in the classification of loan receivables is as follows:

	Loans Receivable			
	Stage 1 (performing)	Stage 2 (under performing)	Stage 3 (credit impaired)	Total
($, 000's)				
Balances as at March 31, 2019	**211,751**	**8,183**	**4,486**	**224,420**
Originated	108,326	-	-	108,326
Payments & other adjustments	(80,900)	(5,108)	(7,046)	(93,054)
Transfers to (from):				
Stage 1 (performing)	(32,659)	32,659	-	-
Stage 2 (under-performing)	1,953	(26,862)	24,909	-
Stage 3 (non-performing)	380	172	(552)	-
Charge offs (net of recoveries and cost)	-	-	(15,893)	(15,893)
Balances as at March 31, 2020	**208,851**	**9,044**	**5,904**	**223,799**
Originated	36,674	-	-	36,674
Payments & other adjustments	(49,881)	(6,580)	(2,620)	(59,081)
Transfers to (from):				
Stage 1 (performing)	(17,970)	17,970	-	-
Stage 2 (under-performing)	4,984	(13,692)	8,708	-
Stage 3 (non-performing)	683	512	(1,195)	-
Charge offs (net of recoveries and cost)	-	-	(5,929)	(5,929)
Loan receivables as at December 31, 2020	**183,341**	**7,254**	**4,868**	**195,463**

Charge offs are the principal value of loans charged off net of recoveries and associated costs. Loans over 120 days past due are reported as a credit loss against the provision for impairment balance.

4. Income taxes

Net deferred income tax assets are comprised of the following:

	December 31, 2020	March 31, 2020
($, 000's)		
Deferred income tax assets		
Provision for impairment	2,023	2,340
Loss carryforward	-	39
Other	117	142
	2,140	**2,521**
Deferred income tax liabilities		
Property and equipment	108	146
	108	**146**
Net deferred income tax asset	**2,032**	**2,375**

Reconciliation between the tax expense and the accounting profit multiplied by the federal and provincial tax rates is as follows:

	December 31, 2020	December 31, 2019
($, 000's except %)		
Net income before taxes	5,615	269
Statutory income tax rate	23.66%	26.33%
Income tax expense	1,328	71
Adjustment relating to tax rate decrease	190	-
Non-deductible expenses for tax purposes	9	67
Other	(4)	(18)
Total income tax expense	**1,523**	**120**
Effective income tax rate	27.1%	44.6%
Allocation of expense (recovery)		
Current	1,234	(152)
Deferred	289	272
Income tax expense	**1,523**	**120**

5. Bank borrowings

The Company had a syndicated secured committed revolving credit facility of $50.00M with Wells Fargo Corporation Canada (Wells Fargo) and ATB Corporate Financial Services (ATB) (registered senior debt holders). This facility was paid out in full and discharged on January 30, 2020.

The Company has a revolving credit facility with Connect First Credit Union Ltd. of $2.5M. The Company has provided a general security agreement covering all Company assets that was subordinated to the registered senior debt holders. The facility does not have any expiry date and is due on demand.

The Company has a revolving credit facility with a Canadian Schedule I Chartered Bank for $20.0M. This facility functions as a warehouse facility and finances the capital cost of an originated receivable less one month's payment for up to 90 days. After 90 days, the Company must either securitize the receivable with the Canadian Schedule I Chartered Bank or another approved financial institution. The facility has a January 29, 2021 renewal date (see note 15).

($, 000's)	
At March 31, 2019 - Bank borrowing	**43,870**
Advances from bank borrowings	82,591
Repayments of bank borrowings	(125,077)
At March 31, 2020 - Bank borrowing	**1,384**
Advances from bank borrowings	2,574
Repayments of bank borrowings	(3,956)
At December 31, 2020 - Bank borrowing	**2**

The change for deferred financing costs for bank borrowing for the period is as follows:

($, 000's)	
At March 31, 2019 - Deferred financing costs	**63**
Amount of deferred financing costs expensed in the period	(79)
Additional deferred financing costs incurred in the period	45
At March 31, 2020 - Deferred financing costs	**29**
Amount of deferred financing costs expensed in the period	(26)
Additional deferred financing costs incurred in the period	-
At December 31, 2020 - Deferred financing costs	**3**

6. Unsecured debentures

Unsecured debentures are non-retractable by the noteholder within the specific terms. Maturity dates vary from February 1, 2021 to November 1, 2025 and bear interest on a monthly basis. The unsecured debentures are subordinated in favour of the registered senior debt holders. The Company must meet certain financial covenants and report to the unsecured debenture holders on a quarterly basis. As at December 31, 2020, March 31, 2020 and throughout the periods then ended, the Company was in compliance with all covenants.

A summary of unsecured debenture activity is as follows:

($, 000's)	
At March 31, 2019 - Unsecured debentures	**12,390**
Debentures matured	(3,905)
Debentures renewed	1,001
New debentures	1,985
At March 31, 2020 - Unsecured debentures	**11,471**
Debentures matured	(2,110)
Debentures renewed and accrued interest	802
New debentures	25
At December 31, 2020 - Unsecured debentures	**10,188**

	December 31, 2020	**March 31, 2020**
($, 000's)		
6.5% debentures outstanding	475	885
7.5% debentures outstanding	1,910	3,310
8.5% debentures outstanding	1,645	1,645
9.5% debentures outstanding	6,158	5,631
Unsecured debentures	**10,188**	**11,471**
Portion issued to related parties at period end (Note 12)	1,760	2,975

7. Securitization

Securitization debt

The Company expects to fund a large percentage of its loan growth through loan securitization. The Company sells finance receivables to third party securitizers, in which the Company is not a beneficiary, in order to provide cash resources for loan originations. 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, a Canadian Schedule I Chartered Bank, and Connect First Credit Union Ltd. (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 securitization debt is recorded at amortized cost using the effective interest 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.

As at December 31, 2020, the Company was in compliance with all covenants. As at March 31, 2020, the Company was not in compliance with its EBITDA covenant with respect to securitization debt due to the significant increase in loan loss provisioning in anticipation of the impact of COVID-19. Subsequent to March 31, 2020, a renewal of the facility was obtained. The facility no longer has an EBITDA covenant. The new covenants were applied retroactively to March 31, 2020. The Company is in compliance with all covenants under the new facility.

($, 000's)	
At March 31, 2019 - Securitization debt	**128,634**
Gross sale proceeds from securitizers	155,271
(Repayments to securitizers)	(98,362)
(Additions to securitization holdback)	(13,985)
Received from securitization holdback	6,135
Securitization costs incurred in the period	(354)
Securitization costs expensed in the period	228
At March 31, 2020 - Securitization debt	**177,567**
Gross sale proceeds from securitizers	50,524
(Repayments to securitizers)	(72,767)
(Additions to securitization holdback)	(4,877)
Received from securitization holdback	5,657
Securitization costs incurred in the period	(110)
Securitization costs expensed in the period	200
At December 31, 2020 - Securitization debt	**156,194**

The change in deferred financing costs for securitized debt for the period is as follows:

($, 000's)	
At March 31, 2019 - Unamortized securitization costs	**239**
Securitization costs incurred in the period	354
Securitization costs expensed in the period	(228)
At March 31, 2020 - Unamortized securitization costs	**365**
Securitization costs incurred in the period	110
Securitization costs expensed in the period	(200)
At December 31, 2020 - Unamortized securitization costs	**275**

Securitization facilities call for a combination of cash holdback and finance receivables over-collateralization from the purchase price of finance receivables sold to securitizers.

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. The amount of cash holdback is determined at the time of sale based on average loan terms, credit grades, and over-collateralization. The holdback is netted against the securitized debt and is not disclosed separately on the consolidated statements of financial position. As at December 31, 2020 the total cash holdbacks held by the securitizers amounted to $17.7M (March 31, 2020 - $18.8M).

The total amount of securitization debt outstanding (excluding the cash holdbacks) as at December 31, 2020 amounted to $173.9M (March 31, 2020 - $196.4M).

Each of the Company's securitization facilities operates with a loan over-collateralization feature which ranges from 5% to 20%. Utilizing an over-collateralization component allows for a lower level of the cash holdback. The cash holdback and over-collateralization is the Company's maximum exposure to credit losses on securitized finance receivables. However, management is of the opinion that in typical circumstances the entirety of the credit losses will be borne by the Company.

	December 31, 2020		**March 31, 2020**	
($, 000's except %)				
Finance receivables - securitized	155,720	77.75%	169,938	74.22%
Finance receivables - securitized over collateralization	20,147	10.06%	23,442	10.24%
Finance receivables - owned	24,423	12.19%	35,579	15.54%
Finance receivables	**200,290**	**100.00%**	**228,959**	**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 a portion of the interest payments to the securitizers depending on the facility. Servicing of the finance receivables remains the Company's responsibility. In these securitization transactions, the Company retains prepayment risk. The cash holdback and over-collateralization is the Company's maximum exposure to credit losses on securitized finance receivables. Due to retention of these risks, assigned finance receivables are not derecognized, and the securitization proceeds are accounted for as securitization debt.

Finance receivables pledged as collateral

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.

8. Contractual repayments

	Less than one year	**1 to 3 years**	**4 to 5 years**	**Over 5 years**	**Total**
($, 000's)					
Accounts payable and accruals	9,721	-	-	-	9,721
Bank borrowings (1)	2	-	-	-	2
Unsecured debentures (2)	2,923	7,237	1,797	-	11,957
Securitization debt (3)	55,598	115,673	22,625	828	194,724
Lease liabilities (4)	254	558	615	383	1,810
Contractual Repayments - December 31, 2020	**68,498**	**123,468**	**25,037**	**1,211**	**218,214**

(1) Bank borrowings is before unamortized transaction costs.
(2) Unsecured debentures are presented with the interest expense due in the corresponding year.
(3) Securitization debt is presented as the total stream of payments less the offset of the cash holdback released in the corresponding year assuming no future credit losses or loan prepayments.
(4) Lease liabilities is presented as total stream of payments.

9. 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) **Common shares issued and outstanding**

	December 31, 2020		**March 31, 2020**	
	Shares	**$**	**Shares**	**$**
(000's)				
Opening balance	21,597	7,614	21,597	7,614
Stock options exercised	153	256	-	-
Closing balance	**21,750**	**7,870**	**21,597**	**7,614**

Contributed surplus

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 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, 2020	March 31, 2020
($, 000's)		
Opening balance	4,084	3,868
Transfer to share capital on exercise of options	(79)	-
From the vesting of stock based compensation	40	216
	4,045	**4,084**

Dividend Payment

On November 27, 2020, Rifco declared a $0.35 per common share special dividend. The dividend was paid in cash on December 7, 2020 in the amount of $7.6M.

10. Earnings per share ("EPS")

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 (which are in the money) and their equivalents is reflected in diluted earnings per share by determining the number of shares that could have been acquired at fair value (determined as the period weighted average market share price of the Company's shares) based on the intrinsic monetary value of the exercise rights attached to outstanding share options.

Weighted average number of common shares is calculated as follows:

	Three months ended		Nine months ended	
	December 31, 2020 Shares	December 31, 2019 Shares	December 31, 2020 Shares	December 31, 2019 Shares
(000's)				
Weighted average number of shares outstanding	21,628	21,597	21,612	21,597
Effect of potential dilutive securities due to stock options	-	-	-	-
Weighted average number of shares outstanding for use in determining diluted income per share	**21,628**	**21,597**	**21,612**	**21,597**
Net income and comprehensive income for the period attributable to equity holders	**177**	**185**	**4,092**	**149**

11. Office and general expenses

		Three months ended		Nine months ended	
		December 31,	December 31,	December 31,	December 31,
	Notes	2020	2019	2020	2019
($, 000's)					
Technology and communication	12	367	223	863	676
Office rent		66	70	186	211
Training and recruiting		7	20	17	25
Promotional and subscriptions		20	31	59	119
Travel		(44)	77	20	234
Other	12	146	102	377	325
Total office and general		**562**	**523**	**1,522**	**1,590**

Certain telephone expenses have been reclassified, from Other to Technology and communication, in addition to the segregation of Strategic review process expenses from Travel (see note 14).

12. Related party disclosures

Unsecured Debentures

During the 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 unsecured debenture holders.

At period end, the total unsecured debentures held by related parties is $1.8M (March 31, 2020 - $3.0M). The related parties are comprised of directors and relatives of certain officers of the Company who currently hold $1.8M (March 31, 2020 - $1.7M) in unsecured debentures with varying terms. In addition, $0.0M (March 31, 2020 - $1.3M) in unsecured 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.

	Three months ended		Nine months ended	
	December 31,	December 31,	December 31,	December 31,
	2020	2019	2020	2019
($, 000's)				
Total interest paid to related parties	35	64	118	188

Compensation of key management personnel

The Company has four executive officers who are considered key management personnel. On December 11, 2020, the CEO resigned from the company and was paid contractual severance and accrued vacation time owing. In addition, the exiting CEO's unvested stock options were immediately vested with a revised expiration date of 90 days from the CEO's resignation. The remuneration of these officers for the periods ended was as follows:

	Three months ended		Nine months ended	
	December 31,	December 31,	December 31,	December 31,
	2020	2019	2020	2019
($, 000's)				
Compensation, including bonuses	176	287	551	662
Severence payments	324	-	384	-
Stock based compensation	38	34	83	119
Total	**538**	**321**	**1,018**	**781**
Number of stock options granted	-	-	-	260

On December 11, 2020, the number of directors was reduced from six directors, five of which were independent, to four directors, three of which are independent. Each director, other than the CEO, receives an annual retainer of $13,333 and an additional $3,333 for Chairman of the Board and $2,000 for Committee Chairman positions held. Non-management directors receive meeting fees of $500 per day or $250 per day for virtual meetings and reimbursement of normal travel expenses. The unvested stock options of the exiting directors were cancelled. Vested stock options will expire 90 days from the directors' resignation.

	Three months ended		**Nine months ended**	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
($, 000's)				
Fees	32	25	85	86
Stock based compensation	(63)	13	(40)	55
Total	**(31)**	**38**	**45**	**141**
Number of stock options granted	-	-	-	-

Payments related to the Concerned Shareholder Group

Costs incurred by the concerned shareholder group in conjunction with the Annual General and Special Meeting of the Company were paid by the Company in the amount of $0.4M. These amounts were recorded as operating expenses in the quarter.

13. Financial instruments

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 Interim 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 Interim 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.

- 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).

Financial Instrument Classification	Fair value level		December 31, 2020 Carrying value	December 31, 2020 Fair value	March 31, 2020 Carrying value	March 31, 2020 Fair value
($, 000's)						
Assets measured at amortized cost:						
Cash	(1)		7,290	7,290	6,039	6,039
Finance receivables - net	(3)	(A)	190,007	188,938	217,326	217,326
Other receivables	(1)		101	101	154	154
Liabilities measured at amortized cost:						
Bank borrowings	(1)		2	2	1,384	1,412
Unsecured debentures	(2)	(B)	10,188	10,171	11,471	11,698
Securitization debt	(3)	(C)	156,194	161,188	177,567	181,130

A) The fair value of finance receivables is estimated 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, provision for prepayment losses, and servicing costs. Rifco revised the fair value calculation of its receivables as at March 31, 2020 consistent with the implied market value, after considering transaction costs and other relevant factors of the offer by CanCap Management Inc. (CanCap) (note 14). As at December 31, 2020, Rifco calculated the fair value of its finance receivables using the current discounted cash flow calculations after considering the potential impact of COVID-19 on loan losses.

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

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

14. Strategic Review

On February 3, 2020 Rifco Inc. announced that they had entered into a definitive arrangement agreement pursuant to which CanCap Management Inc. (CanCap) would acquire all of the issued and outstanding common shares of Rifco. The agreement was subject to approval of 66 2/3% of the votes to be cast by Rifco shareholders at a special meeting of Rifco shareholders that was held on April 3, 2020. The motion passed.

CanCap delivered written notice to Rifco on March 27, 2020 alleging termination of the arrangement agreement among the Parties dated February 2, 2020 in respect of a statutory plan of arrangement under the *Business Corporations Act* of Alberta. CanCap alleged that what it described as "recent events" constituted a "Material Adverse Effect" on the business of Rifco under the terms of the Arrangement Agreement. As such, the Purchaser communicated that it did not intend to close the Arrangement.

Rifco subsequently filed a Statement of Claim that named both ACC Holdings Inc. (ACC) and CanCap as a defendant, and asserted that ACC and CanCap breached the terms of the arrangement agreement by failing to attend at closing and fund the transaction contemplated by the Arrangement Agreement, and by actively opposing the issuance of a final order. Rifco sought specific performance of the Arrangement Agreement as a remedy.

CanCap filed a Statement of Claim that sought an amount of “no less than” $1 million as an “Expense Reimbursement Payment” as a result of what the Purchaser said was a breach of the Arrangement Agreement, which was that Rifco failed to warn the Purchaser about COVID-19 and a decline in oil prices which the Purchaser said constituted a “Material Adverse Effect” on Rifco.

The parties entered into a full and final mutual release and settlement agreement dated July 29, 2020, whereby the parties have, inter alia, released each other from all claims in connection with the Arrangement Agreement in exchange for a payment by CanCap and ACC Holdings Inc. of an aggregate of $1.5M (the “Settlement Amount”) to Rifco. The Settlement Amount was paid to Rifco on July 30, 2020. The income was netted against the strategic review process expenses.

15. Subsequent Events

On January 29, 2021, Rifco received notification of the successful annual renewal of its securitization debt facility with a Canadian Schedule I Chartered Bank. The terms and conditions of the facility largely remain the same. Rifco also received notification that its warehouse facility was also renewed for an additional year. The facility was decreased from $20.0M to $10.0M at Rifco's request to manage the cost of stand-by fees. The other terms and conditions of the warehouse facility largely remain the same.