For the period ended September 30, 2021

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 six months ended September 30, 2021 and 2020 (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 November 23, 2021.

The interim financial statements of Rifco Inc. (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 $1.2 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; and
- Adapted existing payment deferral and modification tools to accommodate affected borrowers.

Rifco's increased credit restrictions and documentation requirements had a meaningful impact on prior year 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 initially granted, are now resolved. At the April 2020 peak, 10.9% of our loans were in some degree of payment deferral for the month. At the end of the current quarter, only 2.0% of accounts are in some sort of temporary modified payment arrangement, a level comparable to what was observed prior to COVID. Most of the accounts that did receive COVID deferrals, received them early in the prior fiscal year, and are now 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.

Results of Operations

The results of operations and cash flows for the period ended September 30, 2021 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		
	Sep 30, 2021	**Mar 31, 2021**	**Sep 30, 2020**
($,000's except ratios)			
Finance receivables	215,604	197,789	205,174
Total assets	221,292	201,874	210,406
Total liabilities	193,382	178,399	180,370
Adjusted Equity [1,2]	37,560	34,279	40,250
Equity [2]	27,910	23,475	30,036
Delinquency Rate	3.08%	2.74%	3.43%

	For the three months ended		For the six months ended	
	Sep 30, 2021	**Sep 30, 2020**	**Sep 30, 2021**	**Sep 30, 2020**
($,000's except per share and ratios)				
Financial revenue	9,033	8,947	17,484	17,994
Credit losses	2,084	1,660	4,013	4,593
Credit Spread	6,949	7,287	13,471	13,401
Adjusted Operating Expenses [1]	2,641	2,534	5,139	5,160
Adjusted Net Income before Taxes [1]	2,065	2,295	3,888	3,122
Net income before taxes	2,789	2,752	5,750	5,405
Adjusted Net Income before Taxes per Common Share - Basic [1]	$0.095	$0.106	$0.179	$0.145
Adjusted Net Income before Taxes per Common Share - Diluted [1]	$0.095	$0.106	$0.179	$0.145
Net income per common share - Basic	$0.097	$0.097	$0.202	$0.181
Net income per common share - Diluted	$0.097	$0.097	$0.202	$0.181
Originations	34,474	11,261	66,246	18,792
Average loan receivables	206,212	204,689	201,017	210,933
Net Portfolio Yield	17.52%	17.48%	17.40%	17.06%
Credit Loss Rate	4.04%	3.24%	3.99%	4.36%
Credit Spread Rate	13.48%	14.24%	13.41%	12.70%
Financial Expense Ratio	4.35%	4.80%	4.42%	4.85%
Adjusted Operating Expense Ratio [1]	5.13%	4.95%	5.11%	4.89%
Adjusted Return Pre-Tax On Adjusted Equity [1,2]	22.52%	23.37%	21.65%	16.10%

[1] See the section "Description of Non-IFRS Measures" for these definitions
[2] Equity ratios and figures were impacted by a dividend of $7.6M paid to shareholders on December 7, 2020.

Adjusted Net Income before Taxes, for the six months ended September 30, 2021, was $3.9M, which is $0.8M higher than the comparable period's $3.1M. Adjusted Net Income before Taxes, for the quarter, was $2.1M, which is $0.2M lower than the comparable quarter's $2.3M and $0.2M higher than the preceding quarter's $1.8M. Adjusted Net Income before Taxes removes the effect of the non-cash forward-looking provisions and the strategic review process expenses from net income before tax. Adjusted Net Income before Taxes includes the actual credit losses incurred in the period and is the measure that management uses to evaluate the performance of the Company as it removes the volatility associated with the effect of estimates, assumptions and the prior year's strategic review expenses.

Net income before tax, for the six months ended September 30, 2021, increased by $0.3M to $5.8M from $5.4M in the comparable period. Net income before tax, for the quarter, was consistent with the comparable period at $2.8M and decreased $0.2M from a net income before tax of $3.0M in the preceding quarter. The current quarter was positively impacted by the reduction in loan loss provisions associated with an improving outlook.

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 71 basis points for the six months ended September 30, 2021 when compared to the comparable quarter, increasing from 12.70% to 13.41%. The Credit Spread rate for the quarter increased 16 basis points from preceding quarter's rate of 13.32% and decreased 76 basis points from the comparable quarter's rate of 14.24%. Credit Spread has been positively impacted by improved results from advanced credit and pricing models utilized for loans originated since November 2018.

Credit losses, including costs and net of recoveries, for the six months ended September 30, 2021, decreased by 12.63% from $4.6M, in the comparable period, to $4.0M. Credit losses, including costs and net of recoveries in the current period increased from $1.7M in the comparable quarter to 2.1M in the current quarter and increased by $0.2M from $1.9M in the preceding quarter. The annualized Credit Loss Rate, for the six months ended September 30, 2021, decreased by 37 basis points to 3.99% from 4.36%. The quarterly Credit Loss Rate increased 80 basis points to 4.04% from 3.24% in the comparable quarter and increased by 9 basis points from 3.95%, in the preceding quarter.

The Financial Expense Ratio, for the quarter, improved by 45 basis points from 4.80% in the comparable quarter to 4.35% in the current quarter, and improved 15 basis points from 4.50% in the preceding quarter. The Financial Expense Ratio for the six months ended September 30, 2021 improved by 43 basis points declining to 4.42% from 4.85%. The current low interest rate environment continues to contribute to an improved overall cost of borrowing.

The Delinquency Rate improved by 35 basis points to 3.08% from 3.43%, in the comparable period. Government support programs for those impacted by COVID-19 had a strong initial impact on the Company's Delinquency Rate and the current quarter well below historical norms.

Adjusted Operating Expenses for the six months ended September 30, 2021 decreased 0.41% from $5.2M to $5.1M when compared to the comparable period. Adjusted Operating Expenses for the quarter increased 4.22% from $2.5M in the comparable quarter to $2.6M, and increased by 5.77% from $2.5M in the preceding quarter. The Adjusted Operating Expense Ratio for the quarter increased 18 basis points to 5.13% from 4.95% in the comparable quarter and increased 3 basis points from 5.10% in the preceding quarter.

The Company posted Originations for the six months ended September 30, 2021 of $66.2M which is an increase of 252.52% over the comparable period which had Originations of $18.8M. The Company posted Originations for the current quarter of $34.5M which is an increase of 206.14% over the comparable quarter which had Originations of $11.3M. These increases are primarily due to consumer trends and the internal restrictions on credit quality imposed by the Company in the comparable quarter due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. Originations increased by 8.50% from $31.8M in the preceding quarter.

Financial revenue for the six months ended September 30, 2021 decreased by 2.83% to $17.5M from $18.0M in the comparable period, due to the decrease of the average portfolio size as principal reductions exceeded originations during the period. Total financial revenue remained consistent at $9.0M relative to the comparable quarter and increased by 6.90% from $8.5M, in the preceding quarter.

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 six months ended			
	Sep 30, 2021		Sep 30, 2020		Sep 30, 2021		Sep 30, 2020	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	206,212		204,689		201,017		210,933	
Financial revenue	9,033	17.52%	8,947	17.48%	17,484	17.40%	17,994	17.06%
Credit losses	2,084	4.04%	1,660	3.24%	4,013	3.99%	4,593	4.36%
Credit Spread	**6,949**	**13.48%**	**7,287**	**14.24%**	**13,471**	**13.41%**	**13,401**	**12.70%**
Financial expenses	2,243	4.35%	2,458	4.80%	4,444	4.42%	5,119	4.85%
Adjusted Net Financial Income before Operating Expenses[1]	**4,706**	**9.13%**	**4,829**	**9.44%**	**9,027**	**8.99%**	**8,282**	**7.85%**
Adjusted Operating expenses [1]	2,641	5.13%	2,534	4.95%	5,139	5.11%	5,160	4.89%
Adjusted Net Income before Taxes [1]	**2,065**	**4.00%**	**2,295**	**4.49%**	**3,888**	**3.88%**	**3,122**	**2.96%**
Strategic review process	-	0.00%	18	0.04%	-	0.00%	500	0.47%
Decrease in provision for impairment	724	1.40%	439	0.86%	1,862	1.85%	1,783	1.69%
Net income before taxes	**2,789**	**5.40%**	**2,752**	**5.39%**	**5,750**	**5.73%**	**5,405**	**5.12%**
Income tax expense	(681)	(1.32%)	(649)	(1.27%)	(1,355)	(1.35%)	(1,492)	(1.41%)
Net income	**2,108**	**4.08%**	**2,103**	**4.12%**	**4,395**	**4.38%**	**3,913**	**3.71%**
Adjusted Net Income before Taxes per Common Share: [1]								
Basic	$0.095		$0.106		$0.179		$0.145	
Diluted	$0.095		$0.106		$0.179		$0.145	
Net income per common share:								
Basic	$0.097		$0.097		$0.202		$0.181	
Diluted	$0.097		$0.097		$0.202		$0.181	

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

Financial Revenue

	For the three months ended				For the six months ended			
	Sep 30, 2021		Sep 30, 2020		Sep 30, 2021		Sep 30, 2020	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	206,212		204,689		201,017		210,933	
Interest income	9,020	17.50%	8,719	17.04%	17,482	17.39%	17,635	16.72%
Discount income	488	0.95%	501	0.98%	984	0.98%	1,041	0.99%
Fee income	312	0.61%	357	0.70%	597	0.59%	654	0.62%
Gross Financial Revenue	9,820	19.06%	9,577	18.72%	**19,063**	**18.96%**	**19,330**	**18.33%**
Loan origination and acquisition costs	(787)	(1.54%)	(630)	(1.24%)	(1,579)	(1.56%)	(1,336)	(1.27%)
Financial revenue	**9,033**	**17.52%**	**8,947**	**17.48%**	**17,484**	**17.40%**	**17,994**	**17.06%**

Gross Portfolio Yield is comprised of the interest income, amortized discount income, and fees earned before expensing the amortization of origination costs. Gross Portfolio Yield for the six months ended September 30, 2021 improved by 63 basis points from 18.33% in the comparative period to 18.96% in the current period. Gross Portfolio Yield for the current quarter improved by 34 basis points from 18.72% in the comparative period to 19.06% in the current period. Gross Portfolio Yield increased 16 basis points from 18.90%, in the preceding quarter.

Net Portfolio Yield increased by 34 basis points for the six months ended September 30, 2021 from 17.06% in the prior period to 17.40% in the current period. Net Portfolio Yield during the quarter increased by 4 basis points from the comparable quarter to 17.52% in the current quarter and increased 25 basis points from 17.27% in the preceding quarter.

Financial revenue for the six months ended September 30, 2021 decreased by 2.83% to $17.5M from $18.0M in the comparable period, due to the decrease of the average portfolio size as principal reductions exceeded originations during the period. Total financial revenue remained consistent at $9.0M relative to the comparable quarter and increased by 6.90% from $8.5M, in the preceding 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 amortization of origination expenses increased by 24.92% from $0.6M in the comparative quarter to $0.8M due to increased Originations. The rate as a percentage of average loan receivables increased by 30 basis points from 1.24% to 1.54% 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 and the quantum of credit losses is most informatively viewed relative to financial revenue. 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. The custom credit models now accounts for 78% of the loan portfolio as at June 30, 2021 (67% - March 31, 2021). 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 six months ended			
	Sep 30, 2021		Sep 30, 2020		Sep 30, 2021		Sep 30, 2020	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	206,212		204,689		201,017		210,933	
Credit losses - net of recoveries	1,825	3.54%	1,397	2.73%	3,477	3.46%	4,036	3.83%
Repossession and recovery costs	259	0.50%	263	0.51%	536	0.53%	557	0.53%
Total Credit Losses	**2,084**	**4.04%**	**1,660**	**3.24%**	**4,013**	**3.99%**	**4,593**	**4.36%**

Credit losses, including costs and net of recoveries, for the six months ended September 30, 2021, decreased by 12.63% from $4.6M, in the comparable period, to $4.0M. Credit losses, including costs and net of recoveries in the current period increased from $1.7M in the comparable quarter to 2.1M in the current quarter and increased by $0.2M from $1.9M in the preceding quarter. The annualized Credit Loss Rate, for the six months ended September 30, 2021, decreased by 37 basis points to 3.99% from 4.36%. The quarterly Credit Loss Rate increased to 4.04% from 3.24% in the comparable quarter and increased by 9 basis points from 3.95%, in the preceding quarter.

The Delinquency Rate improved by 35 basis points to 3.08% from 3.43%, in the comparable period. Government support programs for those impacted by COVID-19 had a strong initial impact on the Company's Delinquency Rate and the current quarter well below historical norms.

While many financial services providers offered 6-months 'no-payments' loan deferrals, Rifco focused on 1 to 3 months 'reduced-payment' deferrals. The COVID deferrals and loan payment modifications that were initially granted, are now resolved. At the April 2020 peak, 10.9% of our loans were in some degree of payment deferral for the month. At the end of the current quarter, only 2.0% of accounts are in some sort of temporary modified payment arrangement, a level comparable to what was observed prior to COVID. Most of the accounts that did receive COVID deferrals, received them early in the prior fiscal year, and are now 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 six months ended			
	Sep 30, 2021		Sep 30, 2020		Sep 30, 2021		Sep 30, 2020	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	206,212		204,689		201,017		210,933	
Financial revenue	9,033	17.52%	8,947	17.48%	17,484	17.40%	17,994	17.06%
Credit losses	2,084	4.04%	1,660	3.24%	4,013	3.99%	4,593	4.36%
Credit Spread	**6,949**	**13.48%**	**7,287**	**14.24%**	**13,471**	**13.41%**	**13,401**	**12.70%**

Credit losses, including costs and net of recoveries, for the six months ended September 30, 2021, decreased by 12.63% from $4.6M, in the comparable period, to $4.0M. Credit losses, including costs and net of recoveries in the current period increased from $1.7M in the comparable quarter to 2.1M in the current quarter and increased by $0.2M from $1.9M in the preceding quarter. The annualized Credit Loss Rate, for the six months ended September 30, 2021, decreased by 37 basis points to 3.99% from 4.36%. The quarterly Credit Loss Rate increased 80 basis points to 4.04% from 3.24% in the comparable quarter and increased by 9 basis points from 3.95%, in the preceding quarter.

Financial Expenses

	For the three months ended				For the six months ended			
	Sep 30, 2021		Sep 30, 2020		Sep 30, 2021		Sep 30, 2020	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	206,212		204,689		201,017		210,933	
Financial expense	2,243	4.35%	2,458	4.80%	4,444	4.42%	5,119	4.85%

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

Financial expense for the quarter decreased by 8.75% from $2.5M in the comparable quarter to $2.2M in the current quarter and increased by 1.91% from $2.2M in the prior quarter.

The Financial Expense Ratio, for the quarter, improved by 45 basis points from 4.80% in the comparable quarter to 4.35% in the current quarter, and improved 15 basis points from 4.50% in the preceding quarter. The Financial Expense Ratio for the six months ended September 30, 2021 improved by 43 basis points declining to 4.42% from 4.85%. The current low interest rate environment continues to contribute to an improved overall cost of borrowing.

Operating Expenses

	For the three months ended				For the six months ended			
	Sep 30, 2021		Sep 30, 2020		Sep 30, 2021		Sep 30, 2020	
		% of loan receivables		% of loan receivables		% of loan receivables		% of loan receivables
($,000's except ratios)								
Average Loan Receivables for the Period	206,212		204,689		201,017		210,933	
Wage and benefits	1,763	3.42%	1,786	3.49%	3,488	3.47%	3,786	3.59%
Professional fees	147	0.29%	84	0.16%	250	0.25%	128	0.12%
Office and general	611	1.19%	523	1.02%	1,145	1.14%	960	0.91%
Stock based compensation	18	0.03%	30	0.06%	40	0.04%	65	0.06%
Depreciation and amortization	102	0.20%	111	0.22%	216	0.21%	221	0.21%
Adjusted Operating Expenses	**2,641**	**5.13%**	**2,534**	**4.95%**	**5,139**	**5.11%**	**5,160**	**4.89%**
Strategic review process	-	0.00%	(18)	(0.04%)	-	0.00%	(500)	(0.47%)
Operating Expenses	**2,641**	**5.13%**	**2,516**	**4.91%**	**5,139**	**5.11%**	**4,660**	**4.42%**

Adjusted Operating Expenses for the six months ended September 30, 2021 decreased 0.41% from $5.2M to $5.1M when compared to the comparable period. Adjusted Operating Expenses for the quarter increased 4.22% from $2.5M in the comparable quarter to $2.6M, and increased by 5.77% from $2.5M in the preceding quarter. The Adjusted Operating Expense Ratio for the quarter increased 18 basis points to 5.13% from 4.95% in the comparable quarter and increased 3 basis points from 5.10% in the preceding quarter.

Summary of Quarterly Results

For the fiscal periods ended	2022		2021				2020		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
($,000's except per share & ratios)									
Finance receivables	215,604	205,024	197,789	200,290	205,174	215,069	228,959	230,356	229,787
Total assets	221,292	207,707	201,874	201,593	210,406	220,871	228,328	233,081	232,324
Total liabilities	193,382	181,923	178,399	178,827	180,370	192,967	202,270	204,030	203,503
Adjusted Equity [2]	37,560	35,782	34,279	33,408	40,250	38,311	37,321	37,372	37,507
Shareholders' equity [2]	27,910	25,784	23,475	22,766	30,036	27,904	26,058	29,051	28,821
Book Value Per Share [2]	$1.28	$1.19	$1.08	$1.05	$1.39	$1.29	$1.21	$1.35	$1.33
Adjusted Book Value Per Share [2]	$1.73	$1.65	$1.58	$1.54	$1.86	$1.77	$1.73	$1.73	$1.74
Stock price	$1.11	$0.96	$0.77	$0.90	$0.94	$0.70	$0.79	$0.85	$0.85
For the Period:									
Finance receivables originated	34,474	31,772	20,584	17,882	11,261	7,532	24,021	27,155	27,336
Average loan receivables	206,212	195,667	194,058	197,611	204,689	216,988	224,580	225,815	226,248
Total financial revenue	9,033	8,450	8,240	8,584	8,947	9,047	9,744	9,819	9,926
Adjusted Net Income (Loss) before Taxes	2,065	1,823	1,075	711	2,295	827	660	(81)	113
Net income (loss) before taxes	2,789	2,961	893	208	2,752	2,653	(3,801)	398	(492)
Net income (loss)	2,108	2,287	700	177	2,103	1,810	(3,030)	185	(437)
Adjusted Net Income (Loss) before Taxes per Common Share:									
Basic	$0.095	$0.084	$0.049	$0.033	$0.106	$0.038	$0.031	$(0.004)	$0.005
Diluted	$0.095	$0.084	$0.049	$0.033	$0.106	$0.038	$0.031	$(0.004)	$0.005
Net income (loss) per common share:									
Basic	$0.097	$0.105	$0.032	$0.008	$0.097	$0.084	$(0.140)	$0.009	$(0.020)
Diluted	$0.097	$0.105	$0.032	$0.008	$0.097	$0.084	$(0.140)	$0.009	$(0.020)
Loan Receivable Performance Measures: [1]									
Net Portfolio Yield	17.52%	17.27%	16.98%	17.38%	17.48%	16.68%	17.35%	17.38%	17.56%
Credit Loss Rate	4.04%	3.95%	4.64%	4.34%	3.24%	5.40%	6.17%	7.66%	7.72%
Credit Spread Rate	13.48%	13.32%	12.34%	13.04%	14.24%	11.28%	11.18%	9.72%	9.84%
Delinquency Rate (over 30 days)	3.08%	2.85%	2.74%	3.97%	3.43%	1.91%	5.55%	5.32%	6.15%
Performance Measures: [1]									
Adjusted Efficiency Ratio	29.24%	29.55%	32.35%	39.64%	28.32%	29.03%	29.90%	28.26%	26.47%
Leverage Ratio [2]	5.89	5.80	5.89	6.03	5.23	5.77	6.12	6.24	6.19
Adjusted Return Pre-tax on Adjusted Equity [2]	22.52%	20.82%	12.71%	7.72%	23.37%	8.75%	7.07%	(0.87%)	1.21%
Ratios: [1]									
Financial Expense Ratio	4.35%	4.50%	4.64%	4.71%	4.80%	4.90%	4.82%	4.96%	4.96%
Adjusted Operating Expense Ratio	5.13%	5.10%	5.49%	6.89%	4.95%	4.84%	5.19%	4.93%	4.63%
Adjusted Return Pre-tax on Earning Assets [2]	4.00%	3.72%	2.21%	1.44%	4.49%	1.54%	1.17%	(0.17%)	0.25%

[1] Percentages have been annualized except Efficiency Ratio and Delinquency Rate
[2] Equity ratios and figures were impacted by a dividend of $7.6M paid to shareholders on December 7, 2020.

Asset Review

Finance Receivables

Finance receivables increased by $17.8M from $197.8M at March 31, 2021 to $215.6M at the end of the current quarter.

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 Originations for the six months ended September 30, 2021 of $66.2M which is an increase of 252.52% over the comparable period which had Originations of $18.8M. The Company posted Originations for the current quarter of $34.5M which is an increase of 206.14% over the comparable quarter which had Originations of $11.3M. These increases are primarily due to consumer trends and the internal restrictions on credit quality imposed by the Company in the comparable quarter due to the uncertain impact of the COVID-19 pandemic and associated public health restrictions. Originations increased by 8.50% from $31.8M in the preceding quarter.

	As at			
	Sep 30, 2021		Mar 31, 2021	
($,000's)				
Finance receivables - securitized	164,928	76.50%	154,218	77.97%
Finance receivables - securitized (over-collateralization) [1]	22,216	10.30%	20,299	10.26%
Finance receivables - owned	28,460	13.20%	23,272	11.77%
Total	**215,604**	**100.00%**	**197,789**	**100.00%**

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

Average loan receivables for the six months ended September 30, 2021 decreased 4.70% to $201.0M from $210.9M, in the comparable period. Average loan receivables for the quarter increased 0.74% to $206.2M from $204.7M, in the comparable period. The decline can be primarily attributed to extremely low origination volumes initially following the outbreak 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 $18.7M compared to $17.0M as of the prior period end. During the period, the Company received cash holdback releases of $4.5M compared to $4.2M, 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	
	Sep 30, 2021	**Mar 31, 2021**
($,000's)		
Total securitized debt	188,658	173,337
Total cash holdback	(18,691)	(17,038)
Securitized debt	**169,967**	**156,299**

Deferred Income Tax Asset

The Company's Deferred Income Tax Asset consists primarily of the temporary timing difference arising from the non-deductible portion of the provision for impairment and credit losses. Taxable income is calculated using actual loan losses and does not consider forward-looking provisions on non-specific loans.

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 six months ended	
	Sep 30, 2021	**Sep 30, 2020**	**Sep 30, 2021**	**Sep 30, 2020**
($,000's)				
Credit losses net of recoveries for the period	1,825	1,397	3,477	4,036
Repossession and recovery costs for the period	259	263	536	557
Provision for impairment and credit losses for the period	(1,360)	(1,221)	(2,151)	(2,810)
Decrease in provision for impairment	**724**	**439**	**1,862**	**1,783**

The decrease in the provision for impairment and credit loss for the period is due to the increased weighting placed on the base and upside scenarios and increased openness of the economy and effectiveness of COVID-19 vaccines offset by concerns of virus variants, future waves of the COVID-19 virus and an uncertain risk of inflation.

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 $12.5M and three securitization facilities totaling $137.5M. The Company's combined credit facilities total $150.0M of which there was $24.8M 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 Sep 30, 2021	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	10,000	208	9,792	30-Jan-22
Securitization - Securcor Trust [1,4]	50,000	48,553	1,447	30-Sep-21
Securitization - Connect First Credit Union Ltd. [2]	47,500	36,471	11,029	Non-Expiring
Securitization - Canadian Schedule 1 Chartered Bank [5]	40,000	41,417	-	30-Jan-22
Total active facilities	**150,000**	**126,649**	**24,768**	
Non-readvanceable facilities [3]	81,615	81,615	-	
Total	**231,615**	**208,264**	**24,768**	

[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.
[4] Subsequent to period end, an extension was received to the Securcor Trust facility providing a new renewal date of October 31, 2021.
[5] The securitization facility has continued to advance despite being at its target limit. The Company anticipates continued availability of this facility prior to its renewal.

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) securitization, (iii) bank borrowing, (iv) unsecured debentures, and (v) equity. The Company's primary use of cash is the funding of finance receivables and the funding of working capital.

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	Sep 30, 2021	Mar 31, 2021
($,000's except ratios)		
Total Debt [1]	182,927	168,256
Tangible Net Worth [1]	38,105	33,335
Total Debt to Tangible Net Worth Ratio	4.80	5.05

[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 has a revolving credit facility with a Canadian Schedule I Chartered Bank for $10.0M. 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 30, 2022 renewal date. The amount drawn on this facility at period end was $0.2M.

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 October 2021 and August 2026. The Company has been successful in renewing or replacing maturing unsecured debentures in the past.

Unsecured debentures issued and outstanding increased by $0.3M from $10.1M at the prior period end to $10.5M.

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 $48.6M 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 $41.4M utilization for the current period. This facility has an annual expected utilization of $40.0M and a renewal date of January 30, 2022. The facility is in excess of the expected annual utilization, but the facility has accommodated this increase. The Company expects to receive additional accommodations to allow for funding until the renewal date.

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 September 30, 2021, 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 $36.5M at September 30, 2021.

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 increased by $5.2M to $28.5M at September 30, 2021 from $23.3M at March 31, 2021. Securitization of finance receivables would typically contribute net cash proceeds at the time of the transaction.

The Company originated $66.2M in finance receivables in the period and securitized $59.6M in loan principal representing 90.0% 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 six months ended	
	Sep 30, 2021	**Sep 30, 2020**	**Sep 30, 2021**	**Sep 30, 2020**
($,000's except per share)				
Net cash flows (used in) from operating activities	(9,958)	14,419	(14,435)	27,116
Funds advanced on finance receivables	34,474	11,261	66,246	18,792
Principal collections of finance receivables	(22,069)	(19,757)	(44,954)	(38,541)
Credit losses net of recoveries	(1,825)	(1,397)	(3,477)	(4,036)
Income taxes paid	1,148	-	1,150	-
Origination costs and discounts - net	926	704	1,949	1,308
Settlement received	-	(1,500)	-	(1,500)
Other receivables, payables and prepaid expenses	203	(498)	(862)	2,271
Modified Funds Flow From Operations	**2,899**	**3,232**	**5,617**	**5,410**
Weighted average number of common shares	21,750	21,597	21,750	21,597
Modified Funds Flow From Operations per share	**$ 0.13**	**$ 0.15**	**$ 0.26**	**$ 0.25**

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

Modified Funds Flow from Operations for the six months ended September 30, 2021 was $5.6M, a 3.83% increase from $5.4M in the comparable period. Modified Funds Flow from Operations of $0.26 per share for the period increased when compared with $0.25 per share in the comparable period. Modified Funds Flow from Operations for the quarter was $2.9M, a 10.30% decrease from $3.2M in the comparable period. Modified Funds Flow from Operations of $0.13 per share for the period decreased when compared with $0.15 per share in the comparable period.

Equity

	As at	
	Sep 30, 2021	**Mar 31, 2021**
($,000's except per share)		
Adjusted Equity	37,560	34,279
Less: Provision for impairment - after tax [1]	9,650	10,804
Equity	**27,910**	**23,475**
Shares outstanding	21,750	21,597
Adjusted Book Value per Share	$1.73	$1.58
Book value per share	$1.28	$1.08

[1] Average tax rate of 23.00% assumed constant for life of provision for impairment for Sep 30, 2021. Average tax rate of 23.50% assumed constant for life of provision for impairment for Mar 31, 2021.

Equity increased to $27.9M from $23.5M at March 31, 2021. Adjusted Equity increased by $3.3M to $37.6M from $34.3M. Adjusted Book Value Per Share increased to $1.73 from $1.58 at March 31, 2021.

Leverage Measurements

	As at	
	Sep 30, 2021	**Mar 31, 2021**
($,000's except ratio)		
Total assets	221,292	201,874
Adjusted Equity	37,560	34,279
Leverage Ratio	**5.89**	**5.89**

The Leverage Ratio remained constant at 5.89 when compared to March 31, 2021. The increase in assets was offset by earnings during the period.

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.

($,000's)	Payments due by period Less than 1 year	1 to 3 years	4 to 5 years	Over 5 years	Total
Accounts payable and accruals	10,833	-	-	-	10,833
Income taxes payable	503	-	-	-	503
Bank borrowings	208	-	-	-	208
Unsecured debentures [1]	2,650	6,580	1,235	-	10,465
Securitization debt [2]	55,137	114,716	24,468	2,022	196,343
Lease liabilities [3]	257	595	643	124	1,619
Purchase obligations [4]	202	-	-	-	202
Total contractual obligations	**69,790**	**121,891**	**26,346**	**2,146**	**220,173**

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

[2] 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.

[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 September 30, 2021, the Company has three executive officers that receive regular employment income (including bonuses). On December 11, 2020 the previous CEO resigned from the Company and was replaced. The replacement CEO resigned subsequent to the announcement of the management buyout offer received on August 10, 2021. The total amount paid to the four executive officers during the period was $0.3M which is a decrease of $0.1M from the $0.4M paid in the comparable period. Executive officers also receive certain approved itemized expense reimbursement.

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. The unvested stock options of the exiting directors were cancelled, and vested stock options' expiry dates were revised to 90 days from the date of the directors' resignations.

Prior to December 11, 2020, each non-management director received 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 received meeting fees of $500 per day or $250 per day for virtual meetings and reimbursement of normal travel expenses.

After December 11, 2020, each non-management director receives $25,000 annually and the chair receives an additional $5,000 annually. Should any special committees be struck, committee members will receive an additional $20,000 monthly for the period the special committee is functioning. A special committee was struck in the current period.

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 $1.7M (March 31, 2021 - $1.7M). The related parties are comprised of directors and relatives of certain officers and employees of the Company. These transactions are in the normal course of business and consideration established and agreed to by the related parties is at arm's length.

The Company has made several payments to a company owned or controlled by the former CEO. Payments include reimbursement of customary employment expenses, rent and vehicle allowance.

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; or
- 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 non-prime consumers and have therefore decreased Rifco loan originations with the most noticeable impact beginning in April 2020. While the current circumstances have largely normalized, future waves of the virus could 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 period.

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

The 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 marketplace 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; and
- 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; or
- 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 six months ended September 30, 2021 and 2020

Rifco Inc.
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For the three and six months ended September 30, 2021 and 2020

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

As At	Notes	September 30, 2021 $	March 31, 2021 $
ASSETS			
Cash	13	10,436	10,925
Finance receivables - net	3, 7, 13	207,486	187,363
Other receivables and prepaid expenses		799	515
Property and equipment		485	527
Right of use asset		875	956
Software		240	172
Deferred income tax asset	4	971	1,416
Total Assets		**221,292**	**201,874**
LIABILITIES AND EQUITY			
Accounts payable and accruals	8	10,833	9,703
Income taxes payable	8	503	743
Bank borrowings	5, 8, 13	208	2
Unsecured debentures	6, 8, 12, 13	10,455	10,144
Securitization debt	7, 8, 13	169,967	156,299
Lease liabilities	8	1,416	1,508
Total Liabilities		**193,382**	**178,399**
Equity			
Share capital	9	7,870	7,870
Contributed surplus	9	4,096	4,056
Retained earnings		15,944	11,549
Total Equity		**27,910**	**23,475**
Total Liabilities and Equity		**221,292**	**201,874**

Subsequent events 14

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, except per share amounts)

		For the three months ended		For the six months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	Notes	**$**	**$**	**$**	**$**
Financial revenue		9,033	8,947	17,484	17,994
Financial expense		2,243	2,458	4,444	5,119
Net financial income before impairment and credit losses		**6,790**	**6,489**	**13,040**	**12,875**
Provision for impairment and credit losses	3	1,360	1,221	2,151	2,810
Net financial income before operating expenses		**5,430**	**5,268**	**10,889**	**10,065**
Operating expenses					
Wages and benefits	12	1,763	1,786	3,488	3,786
Professional fees		147	84	250	128
Office and general	11	611	523	1,145	960
Stock based compensation	9, 12	18	30	40	65
Depreciation and amortization		102	111	216	221
Strategic review process		-	(18)	-	(500)
Total operating expenses		**2,641**	**2,516**	**5,139**	**4,660**
Net income before taxes		**2,789**	**2,752**	**5,750**	**5,405**
Current income tax expense	4	(477)	(645)	(910)	(1,050)
Deferred income tax expense	4	(204)	(4)	(445)	(442)
Total income tax expense		**(681)**	**(649)**	**(1,355)**	**(1,492)**
Net income and comprehensive income for the period attributable to equity holders		**2,108**	**2,103**	**4,395**	**3,913**
Net income per common share					
Basic	10	$ 0.097	$ 0.097	$0.202	$ 0.181
Diluted	10	$ 0.097	$ 0.097	$0.202	$ 0.181

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 six months ended September 30, 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		-	-	3,913	3,913
Stock based compensation	9	-	65	-	65
As at September 30, 2020		**7,614**	**4,149**	**18,273**	**30,036**

For the six months ended September 30, 2021	Notes	Share Capital $	Contributed Surplus $	Retained Earnings $	Total Equity $
As at March 31, 2021		7,870	4,056	11,549	23,475
Net income and comprehensive income for the period		-	-	4,395	4,395
Stock based compensation	9	-	40	-	40
As at September 30, 2021		**7,870**	**4,096**	**15,944**	**27,910**

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

Rifco Inc.
Consolidated Interim Statements of Cash Flows (unaudited)
(in thousands of Canadian dollars)

For the three and six months periods ended September 30, 2021 and 2020

		For the three months ended		For the six months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	Notes	$	$	$	$
Operating activities					
Net income and comprehensive income for the period attributable to equity holders		2,108	2,103	4,395	3,913
Adjustments for:					
Depreciation and amortization		102	111	216	221
Decrease in provision for impairment	3	(724)	(439)	(1,862)	(1,783)
Stock based compensation	9, 12	18	30	40	65
Income tax expense	4	681	649	1,355	1,492
Financial expense		2,243	2,458	4,444	5,119
Interest paid		(2,258)	(2,327)	(4,459)	(4,987)
Financing costs		(66)	(20)	(111)	(55)
Amortization of origination and financing costs		795	667	1,599	1,425
Cash flows from operating activities before the following:		2,899	3,232	5,617	5,410
Funds advanced on finance receivables		(34,474)	(11,261)	(66,246)	(18,792)
Principal collections of finance receivables		22,069	19,757	44,954	38,541
Credit losses net of recoveries	3	1,825	1,397	3,477	4,036
Income taxes paid		(1,148)	-	(1,150)	-
Origination costs and discounts - net		(926)	(704)	(1,949)	(1,308)
Settlement received		-	1,500	-	1,500
Other receivables, payables and prepaid expenses		(203)	498	862	(2,271)
Net cash flows (used in) from operating activities		(9,958)	14,419	(14,435)	27,116
Investing activity					
Purchase of property and equipment		(7)	(8)	(14)	(8)
Purchase of software		(59)	-	(147)	-
Net cash flows used in investing activities		(66)	(8)	(161)	(8)
Financing activities					
Repayments of bank borrowings	5	(2,760)	(13)	(5,168)	(1,444)
Net advances from bank borrowings	5	2,967	4	5,375	46
Repayments of unsecured debentures	6	(100)	(950)	(515)	(950)
Advances from unsecured debentures	6	475	-	825	-
Repayments of securitization debt	7	(28,728)	(22,346)	(54,849)	(46,003)
Advances from securitization debt	7	40,136	9,477	68,531	26,257
Repayments of lease liability		(46)	(44)	(92)	(88)
Net cash flows from (used in) financing activities		11,944	(13,872)	14,107	(22,182)
Increase (decrease) in cash		1,920	539	(489)	4,926
Cash, beginning of period		8,516	10,426	10,925	6,039
Cash, end of the period		10,436	10,965	10,436	10,965

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

1. Incorporation and operations

Rifco Inc. ("Rifco" or the "Company") operating through its wholly owned subsidiary Rifco National Auto Finance Corporation is engaged in vehicle 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, 2021.

These Interim Financial Statements for the three and six months ended September 30, 2021 and 2020 were approved and authorized for issue by the Board of Directors on November 23, 2021.

Basis of presentation

These Interim Financial Statements include the financial information of Rifco Inc., and Rifco National Auto Finance Corporation, a 100% owned subsidiary.

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:

Finance receivables - net

	September 30, 2021	March 31, 2021
($, 000's)		
Next 12 months	73,795	69,904
13 to 24 months	68,749	65,005
25 to 36 months	61,426	57,562
37 to 48 months	51,501	47,246
49 to 60 months	38,523	34,114
61 months and over	32,357	24,383
Gross finance receivables	326,351	298,214
Less unearned interest	(115,319)	(105,155)
Loan receivables	211,032	193,059
Accrued interest and fees	4,572	4,730
Finance receivables	**215,604**	**197,789**
Unamortized origination costs	5,499	5,170
Unamortized discounts	(1,357)	(1,474)
Less provision for impairment	(12,260)	(14,122)
Finance receivables - net	**207,486**	**187,363**

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:

	September 30, 2021		March 31, 2021	
($, 000's except %)				
Current	208,971	96.92%	192,373	97.26%
31 – 60 Days	3,885	1.80%	3,596	1.82%
61 – 90 Days	1,666	0.77%	1,228	0.62%
> 90 Days	1,081	0.51%	592	0.30%
Finance receivables	**215,603**	**100.00%**	**197,789**	**100.00%**

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

	September 30, 2021	March 31, 2021
($, 000's)		
Near-prime	192,024	172,647
Non-prime	19,008	20,412
Loan receivables	**211,032**	**193,059**

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 September 30, 2021, there were \$4.3M (March 31, 2021 – \$5.0M) of finance receivables, constituting 2.0% (March 31, 2021 – 2.5%) 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, 61.39% are in Stage 1 (March 31, 2021 – 93.71%).

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 provided the best net present value of cash flows 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 that year end. The payment arrangements were largely granted in the first quarter of fiscal year 2021. As of September 30, 2021, Rifco had 2.0% (March 31, 2021 – 3.3%) of its accounts in a temporary payment 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, 2020	**10,423**	**1,000**	**3,797**	**15,220**
Provision on loans originated, at time of origination	1,021	-	-	1,021
Change in provision for impairment after origination	(2,219)	482	(1,067)	(2,804)
Provision for impairment as at September 30, 2020	**9,225**	**1,482**	**2,730**	**13,437**
As a percent of finance receivables				6.79%
Provision for impairment as at March 31, 2021	**9,916**	**1,133**	**3,073**	**14,122**
Provision on loans originated, at time of origination	2,940	-	-	2,940
Change in provision for impairment after origination	(4,063)	(590)	(149)	(4,802)
Provision for impairment as at September 30, 2021	**8,793**	**543**	**2,924**	**12,260**
As a percent of finance receivables				5.69%

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

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
($, 000's)				
Provision for impairment at end of period	12,260	13,437	12,260	13,437
Provision for impairment at beginning of period	12,984	13,876	14,122	15,220
Decrease in provision for impairment	**(724)**	**(439)**	**(1,862)**	**(1,783)**
Credit losses net of recoveries for the period	1,825	1,397	3,477	4,036
Repossession and recovery costs for the period	259	263	536	557
Provision for impairment and credit losses for the period	**1,360**	**1,221**	**2,151**	**2,810**

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

As at March 31, 2020, the provision was increased due to the unknown future impact of the COVID-19 pandemic. In the current period, the decrease in the provision for impairment is largely due to an increased weighting of the upside and base scenarios due to the increased openness of the economy and effectiveness of COVID-19 vaccines tempered by caution over virus variants and inflation concerns.

The ECL estimate is sensitive to a number of assumptions including the probability weighting of each of the assumed scenarios occurring as well as the probabilities of default and loss given default in each of those scenarios. Management has prepared three scenarios (upside, base, downside). The current provision is calculated with weightings of 35% upside, 55% base, and 10% downside. Had the provision been calculated with the weightings used pre-pandemic (25% upside, 65% base, and 10% downside), the provision would have been $12.5M. Although the scenario weightings are more optimistic than they were prior to the pandemic, the expected loss rates considered in each scenario are higher than each of the comparable scenarios considered prior to the pandemic. 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, 2020	**208,851**	**9,044**	**5,904**	**223,799**
Originated	57,259	-	-	57,259
Payments & other adjustments	(69,627)	(1,370)	(8,013)	(79,010)
Transfers to (from):				
Stage 1 (performing)	(20,967)	20,967	-	-
Stage 2 (under-performing)	4,464	(21,133)	16,669	-
Stage 3 (non-performing)	689	178	(867)	-
Charge offs (net of recoveries and costs)	-	-	(8,989)	(8,989)
Balances as at March 31, 2021	**180,669**	**7,686**	**4,704**	**193,059**
Originated	65,647	-	-	65,647
Payments & other adjustments	(38,365)	(568)	(4,728)	(43,661)
Transfers to (from):				
Stage 1 (performing)	(11,090)	11,090	-	-
Stage 2 (under-performing)	4,199	(13,302)	9,103	-
Stage 3 (non-performing)	414	74	(488)	-
Charge offs (net of recoveries and costs)	-	-	(4,013)	(4,013)
Loan receivables as at September 30, 2021	**201,474**	**4,980**	**4,578**	**211,032**

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:

	September 30, 2021	**March 31, 2021**
($, 000's)		
Deferred income tax assets		
Provision for impairment	950	1,423
Other	133	113
	1,083	**1,536**
Deferred income tax liabilities		
Property and equipment	112	120
	112	**120**
Net deferred income tax asset	**971**	**1,416**

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

	September 30, 2021	September 30, 2020
($, 000's except %)		
Net income before taxes	5,750	5,405
Statutory income tax rate	23.00%	23.99%
Income tax expense	1,323	1,297
Adjustment relating to tax rate decrease	-	189
Non-deductible expenses for tax purposes	13	23
Other	19	(17)
Total income tax expense	**1,355**	**1,492**
Effective income tax rate	23.6%	27.6%
Allocation of expense		
Current	910	1,050
Deferred	445	442
Income tax expense	**1,355**	**1,492**

5. Bank borrowings

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. 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 $10.0M. 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 30, 2022 renewal date.

($, 000's)	
At March 31, 2020 - Bank borrowing	**1,384**
Advances from bank borrowings	4,086
Repayments of bank borrowings	(5,468)
At March 31, 2021 - Bank borrowing	**2**
Advances from bank borrowings	5,374
Repayments of bank borrowings	(5,168)
At September 30, 2021 - Bank borrowing	**208**

6. Unsecured debentures

Unsecured debentures are non-retractable by the noteholder within the specific terms. Maturity dates vary from October 1, 2021 to August 1, 2026 and bear interest on a monthly basis. The unsecured debentures are subordinated in favour of registered senior debt holders. The Company must meet certain financial covenants and report to the unsecured debenture holders on a quarterly basis. As at September 30, 2021, March 31, 2021 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, 2020 - Unsecured debentures	**11,471**
Debentures matured	(2,680)
Debentures renewed and accrued interest	1,078
New debentures	275
At March 31, 2021 - Unsecured debentures	**10,144**
Debentures matured	(1,235)
Debentures renewed and accrued interest	721
New debentures	825
At September 30, 2021 - Unsecured debentures	**10,455**

	September 30, 2021	**March 31, 2021**
($, 000's)		
6.5% debentures outstanding	1,100	525
7.5% debentures outstanding	675	1,565
8.5% debentures outstanding	1,895	1,645
9.0% debentures outstanding	400	-
9.5% debentures outstanding	6,385	6,409
Unsecured debentures	**10,455**	**10,144**
Portion issued to related parties at period end (Note 12)	1,705	1,710

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 September 30, 2021, 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 that was not in compliance with the covenant was obtained. The EBITDA covenant was removed from the facility. All securitization facilities no longer have an EBITDA covenant. The new covenants were applied retroactively to March 31, 2020.

($, 000's)	
At March 31, 2020 - Securitization debt	**177,567**
Gross sale proceeds from securitizers	75,659
Repayments to securitizers	(98,501)
Additions to securitization holdback	(6,544)
Received from securitization holdback	8,020
Securitization costs incurred in the period	(150)
Securitization costs expensed in the period	248
At March 31, 2021 - Securitization debt	**156,299**
Gross sale proceeds from securitizers	68,531
Repayments to securitizers	(53,198)
Additions to securitization holdback	(6,172)
Received from securitization holdback	4,521
Securitization costs incurred in the period	(111)
Securitization costs expensed in the period	97
At September 30, 2021 - Securitization debt	**169,967**

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

($, 000's)	
At March 31, 2020 - Unamortized securitization costs	**365**
Securitization costs incurred in the period	150
Securitization costs expensed in the period	(248)
At March 31, 2021 - Unamortized securitization costs	**267**
Securitization costs incurred in the period	111
Securitization costs expensed in the period	(97)
At September 30, 2021 - Unamortized securitization costs	**281**

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 September 30, 2021 the total cash holdbacks held by the securitizers amounted to $18.7M (March 31, 2021 - $17.0M).

The total amount of securitization debt outstanding (excluding the cash holdbacks) as at September 30, 2021 amounted to $188.7M (March 31, 2021 - $173.3M).

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 legal 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.

	September 30, 2021		March 31, 2021	
($, 000's except %)				
Finance receivables - securitized	164,928	76.50%	154,218	77.97%
Finance receivables - securitized over collateralization	22,216	10.30%	20,299	10.26%
Finance receivables - owned	28,460	13.20%	23,272	11.77%
Finance receivables	**215,604**	**100.00%**	**197,789**	**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 obligations

	Less than one year	1 to 3 years	4 to 5 years	Over 5 years	Total
($, 000's)					
Accounts payable and accruals	10,833	-	-	-	10,833
Income taxes payable	503	-	-	-	503
Bank borrowings (1)	208	-	-	-	208
Unsecured debentures (2)	2,650	6,580	1,235	-	10,465
Securitization debt (3)	55,137	114,716	24,468	2,022	196,343
Lease liabilities (4)	257	595	643	124	1,619
Contractual obligations - September 30, 2021	**69,588**	**121,891**	**26,346**	**2,146**	**219,971**

(1) Bank borrowings are 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 are 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. There are no preferred shares outstanding.

b) **Common shares issued and outstanding**

	September 30, 2021		March 31, 2021	
	Shares	**$**	**Shares**	**$**
(000's)				
Opening balance	21,750	7,870	21,597	7,614
Stock options exercised	-	-	153	256
Closing balance	**21,750**	**7,870**	**21,750**	**7,870**

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.

	September 30, 2021	**March 31, 2021**
($, 000's)		
Opening balance	4,056	4,084
Transfer to share capital on exercise of options	-	(78)
From the vesting of stock based compensation	40	50
Closing balance	**4,096**	**4,056**

10. Earnings per share ("EPS")

The calculation of the diluted income per share assumes the conversion, exercise or contingent issuance of vested 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		**Six months ended**	
	September 30, 2021	**September 30, 2020**	**September 30, 2021**	**September 30, 2020**
	Shares	**Shares**	**Shares**	**Shares**
(000's)				
Weighted average number of shares outstanding	21,750	21,597	21,750	21,597
Effect of potential dilutive securities due to stock options	8	-	-	-
Weighted average number of shares outstanding for use in determining diluted income per share	**21,758**	**21,597**	**21,750**	**21,597**

11. Office and general expenses

		Three months ended		Six months ended	
		September 30,	September 30,	September 30,	September 30,
	Notes	2021	2020	2021	2020
($, 000's)					
Technology and communication		345	260	648	495
Office rent	12	34	61	100	120
Training and recruiting		15	3	27	10
Promotional and subscriptions		73	22	112	40
Travel		45	39	55	64
Other		99	138	203	231
Total office and general		**611**	**523**	**1,145**	**960**

During the period, the Company received financial support from the Government of Canada in the form of Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS). These amounts have been recorded as reductions to wages and office rent respectively. During the period ended September 30, 2021, the total amount received was $0.2M (September 30, 2020 – $Nil).

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 $1.6M (March 31, 2021 - $1.7M). The related parties are comprised of directors and relatives of certain officers of the Company who hold unsecured debentures with varying terms. 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		Six months ended	
	September 30,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
($, 000's)				
Total interest paid to related parties	31	56	64	116

Compensation of key management personnel

The Company had four executive officers who were considered key management personnel. Since the resignation of the Chief Executive Officer announced on August 10, 2021, only three executive officers remain. The remuneration of these officers for the periods ended was as follows:

	Three months ended		Six months ended	
	September 30,	September 30,	September 30,	September 30,
	2021	2020	2021	2020
($, 000's)				
Compensation, including bonuses	160	187	332	375
Stock based compensation	7	19	17	45
Total	**167**	**206**	**349**	**420**
Number of stock options granted	-	-	-	-

Prior to December 11, 2020, each non-management director received 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 received meeting fees of $500 per day or $250 per day for virtual meetings and reimbursement of normal travel expenses.

After December 11, 2020, each non-management director receives $25,000 annually and the chair receives an additional $5,000 annually. A special committee has been struck to consider the management buyout offer received on August 10, 2021 consisting of one member. The committee member receives an additional $20,000 monthly for the period the special committee is functioning.

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
($, 000's)				
Fees	108	31	178	54
Stock based compensation	11	10	22	23
Total	**119**	**41**	**200**	**77**
Number of stock options granted	-	-	300	-

Payments to related companies

The Company has made several payments to a company owned or controlled by the former CEO for reimbursement of customary employment expenses such as office rent. These payments were discontinued as of August 10, 2021.

	Three months ended		Six months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
($, 000's)				
Office rent	4	-	16	-
Total	**4**	**-**	**16**	**-**

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 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 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		September 30, 2021 Carrying value	September 30, 2021 Fair value	March 31, 2021 Carrying value	March 31, 2021 Fair value
($, 000's)						
Assets measured at amortized cost:						
Cash	(1)		10,436	10,436	10,925	10,925
Finance receivables - net	(3)	(A)	207,486	211,138	187,363	187,556
Other receivables	(1)		38	38	105	105
Liabilities measured at amortized cost:						
Bank borrowings	(1)		208	208	2	2
Unsecured debentures	(2)	(B)	10,455	10,714	10,144	9,605
Securitization debt	(3)	(C)	169,967	173,841	156,299	160,524

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.
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. Subsequent Events

Subsequent to quarter end, Rifco renewed its securitization facility with Securcor. The terms of the renewal are similar to the previous annual renewal, with an expiry date of October 31, 2022 and an annual limit of $50.0M.

On October 27, 2021, Rifco announced that it had entered into an arrangement agreement with Chesswood Group Limited (Chesswood) pursuant to which Chesswood will acquire all of the issued and outstanding common shares of Rifco by way of a statutory plan of arrangement under the Business Corporations Act (Alberta). Under the terms of the Agreement, each Rifco shareholder will receive consideration of $1.28 for each Rifco Share held, to be satisfied either in cash or Chesswood common shares.