Cliffside Capital Ltd.
Management Discussion and Analysis

For the three months ended March 31, 2022 and 2021

Management Discussion and Analysis

CLIFFSIDE CAPITAL LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

The following management discussion and analysis ("MD&A") of the results of the operations and financial position of Cliffside Capital Ltd. (the "Company") prepared as of and approved by the Board of Directors on May 27, 2022, should be read in conjunction with the Company's unaudited consolidated interim financial statements and notes thereto for the period ended March 31, 2022, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. All monetary amounts are expressed in Canadian dollars.

Forward-Looking Disclaimer

Certain statements contained in this MD&A constitute forward-looking statements which reflect the Company's current expectations and projections about future results. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual results and developments are likely to differ, the potential impact of the ongoing COVID-19 pandemic on the Partnerships operations and the ability to mitigate such impact, which may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect. While the Company anticipates that subsequent events and developments may cause its views to change, the Company specifically disclaims any obligation to update these forward-looking statements except as required by applicable law. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

Additional Information

Additional information about the Company can be accessed at www.cliffsidecapital.ca.

Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. In this MD&A, in addition to financial results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and which do not have standard meanings prescribed by IFRS. These non-IFRS measures provide investors with additional information regarding the Company's profitability and performance of its portfolio of finance receivables. These measures include the following:

- **Adjusted net income (loss) before taxes** - Net income before taxes excluding the impact of changes in Stage 1 provision for credit losses. Individual credit loss stages are representative of the net movement in the balance sheet amounts between periods.

- **Gross yield** - Income excluding amortization of capitalized costs and mark to market gains on derivatives for the period, divided by average finance receivables excluding capitalized transaction costs for the same period, annualized.

- **Delinquency rate** - Outstanding principal balance of delinquent finance receivables (those greater than 30 days past due) at the end of a period, divided by the total outstanding principal balance of all finance receivables excluding capitalized transaction costs at the same date.

The non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Nature of the Business

The Company is in the business of investing in the growing non-bank financial services market with a strategy to generate revenue as a passive investor in receivables and other similar assets, across various asset classes. Currently, the Company operates its business through three limited partnerships, CAL LP, ACC LP III and CAR LP I (the "Partnerships"). The Partnerships acquire receivables in the non-prime automobile financing market originated in Canada. These receivables are originated and administered by CanCap Management Inc. ("CCMI") which is a leading consumer finance company that manages the entire lifecycle of receivables from credit adjudication through to contract administration, customer service, default management and post charge-off recoveries. Non-prime refers to consumers who typically would not qualify for traditional bank financing. This market is heavily weighted to used vehicle sales. It is also estimated that approximately 30% of Canadians do not qualify for financing through traditional sources. If credit quality can be bucketed into A through D grades, A is dominated by the banks, and D is a fragmented deep sub-prime market. The Partnerships acquire receivables from CCMI that are primarily in the B and C grades.

The Company trades on the TSX Venture Exchange (the "Exchange") under the symbol CEP. The Company's registered office is located at Suite 200, 11 Church Street, Toronto, M5E 1W1.

Operational Highlights

Year over Year

The Company increased gross finance receivables by $74.3 million or 71.4%, from March 31, 2021, to a record high of $178.4 million as at March 31, 2022 which generated:

- $1.2 million or 39.4% increase in net interest income compared to the same period in the prior year.
- $0.5 million or 31.2% increase in net financial revenue before credit losses, excluding mark to market gains on derivatives, compared to the same period in the prior year.

Despite the increase in interest income, net income before taxes of $0.8 million during the three months ended March 31, 2022 remained relatively flat compared to $0.9 million for the same period in the prior year due to:

- $1.2 million increase in the provision for credit losses compared to the same period in the prior year, of which $0.4 million related to stage 1 provision. Under IFRS 9, an allowance for the expected credit losses ("ECL") is recorded against stage 1 finance receivables, that include newly acquired and performing finance receivables, for which there is no significant increase in underlying credit risk between the date of their purchase to March 31, 2022.

- $0.6 million of amortization of financing costs included in other expenses relating to securing new funding facilities for CAR LP I and the Company in Q3 2021.

Quarter over Quarter

The Company recorded net income of $0.8 million during the three months ended March 31, 2022, a $1.1 million or 352.5% increase, compared to net loss of $0.3 million for the three months ended December 31, 2021. The bridge analysis below highlights the key drivers of change in net income (loss) before taxes between the periods.

Net loss before taxes for the three months ended December 31, 2021	**(303,329)**
Net interest and other income	316,991
Mark-to-market gain on derivative financial instruments	945,130
Interest expense	(148,419)
Stage 1 provision for credit losses*	(39,753)
Stage 2 & 3 provision for credit losses*	(55,214)
Operating expenses	50,380
Net income before taxes for the three months ended March 31, 2022	**765,786**

**Individual credit loss stages are representative of the net movement in the balance sheet amounts between 2021 and 2022.*

The Company increased gross finance receivables by $24 million, or 15.6%, from December 31, 2021, to a record high of $178.4 million as at March 31, 2022 which generated a $0.3 million increase in interest income during the first quarter of 2022. Mark to market gains of $0.9 million on derivative financial instruments (an interest rate swap), included in other income, also added to the Company's profitability.

The increase in interest income was partially offset by the increase in interest expense for the related securitization and subordinated debt obtained to finance the acquisition of $0.2 million. Furthermore, under IFRS 9, an allowance for the ECL is recorded against stage 1 finance receivables, that include newly acquired and performing finance receivables, for which there is no significant increase in underlying credit risk between the date of their purchase to March 31, 2022. The adverse impact of this incremental provision is reflected in the movement in stage 1 credit losses of $0.04 million, noted in above bridge analysis. The marginal increase in stages 2 and 3 provision for credit losses of $0.06 million is reflective of a stable performance of the portfolio. Adjusted net income before taxes was $0.8 million for the three months ended March 31, 2022, compared to a loss of $0.2 million for the three months ended December 31 2021 (refer to Non-IFRS Measures for the definition).

Dividends

Due to strong portfolio performance, the Partnerships were able to distribute $1.25 million to their respective limited partners during the period December 2021 to March 2022. As a result, the Company has declared and paid three successive quarterly cash dividends on the outstanding common shares of $0.0025 per common share ($0.01 on an annualized basis).

Impact of COVID-19 pandemic

While COVID-19, a global pandemic, continues to impact Canada with some government-mandated restrictions on businesses and the broader social environment; day-to-day economic activities are slowly returning to normal with the gradual lifting of the restrictions in view of high vaccination rates among Canadians. These restrictions have caused significant financial market disruption and continues to give rise to heightened uncertainty. Management closely monitors and manages the impact of such uncertainty on the Company's and the Partnerships' business.

Financial Highlights

Select Operating Results

	For the three months ended	
	Mar 31, 2022	**Mar 31, 2021**
	$	**$**
Net interest income	4,162,987	2,987,078
Other Income		
Other income	102,593	74,487
Mark to market gains on derivative financial instruments	1,250,267	-
Total income	5,515,847	3,061,565
Interest expense	2,048,321	1,371,456
Net financial revenue before credit losses	3,467,526	1,690,109
Provision for credit losses	1,906,034	704,081
Management fees	38,798	24,265
Other expenses	756,909	67,967
Total expenses	2,701,741	796,313
Net income before taxes	765,785	893,796
Provision for income taxes deferred	119,538	153,185
Net income after taxes	646,247	740,611
Non-controlling interest	(223,787)	(194,715)
Net income attributable to shareholders	**422,460**	**545,896**
Basic and diluted earnings per share	0.00	0.01

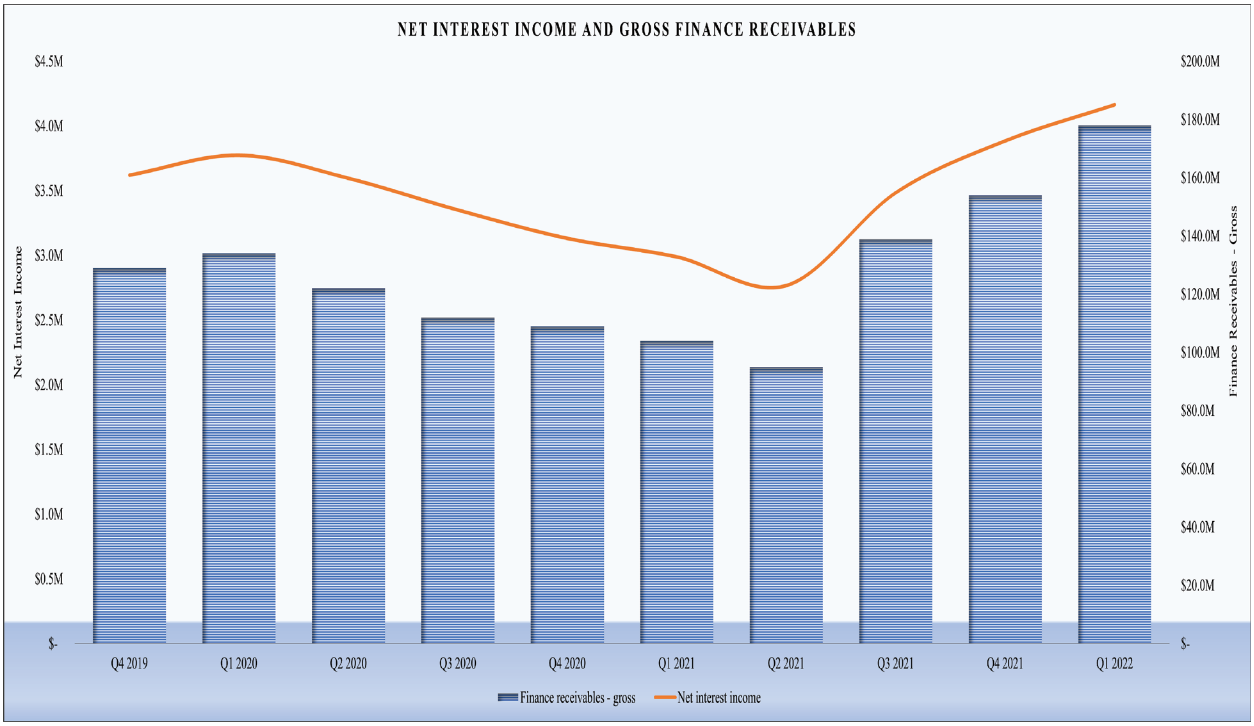
Non-IFRS Measures Results	**For the three months ended**	
	Mar 31, 2022	**Mar 31, 2021**
Adjusted net income (1)	805,538	859,665
Gross yield (1)	16.52%	16.84%
Delinquencies (1)	3.76%	3.42%

(1) *Refer to "Non-IFRS Measures" for the definition*

Net interest income is interest income earned on finance receivables, net of amortization of capitalized costs. For the three months ended March 31, 2022, the Company recorded interest income of $5,949,794, partially offset by amortization of capitalized costs of 1,786,807. For the three months ended March 31, 2021, the Company recorded interest income of $4,254,343, partially offset by amortization of capitalized costs of 1,267,265.

Other income represents ancillary fees earned on the finance receivables.

The below chart shows quarterly net interest income and associated finance receivables-gross at the end of each quarter.



Interest expense is incurred by the Partnerships on the securitization and subordinated debts. The amount recorded by the Company for the three months ended March 31, 2022 was $2,048,321, compared to $1,371,456 in the previous year. As at March 31, 2022, the weighted average interest rate on the new securitization debt was 4.74% compared to 4.31% in the same period in the previous year.

Net financial revenue before credit losses was $3,467,526 for the three months ended March 31, 2022. For the three months ended March 31, 2021, net financial revenue before credit losses was $1,690,109.

The provision for credit losses for the three months ended March 31, 2022 was $1,906,034 compared to $704,081 in the previous year. The increase in provision was primarily driven by the acquisition of finance receivables under the formation of CAR LP I post Q1 in 2021. Under IFRS 9, an allowance for ECL is required on acquisition of new finance receivables, resulting in an early recognition of future credit losses on otherwise performing finance receivables. Therefore, as the portfolio balance increases, so does an allowance for ECL, resulting in a higher provision for credit losses. While IFRS 9 leads to a mismatch between timing of when a credit loss provision is taken and the occurrence of a loss event, the portfolio's performance has been consistent with our expectations. The results reflect the quality of finance receivables acquired and the profitability of the portfolio over its life. Management closely monitors the shape and timing of the credit loss curve.

For the three months ended March 31, 2022, the Company incurred management fees of $38,798 compared to $24,265 in the previous year, pursuant to a management agreement with LC Asset Management Corporation (refer to Related Party Transactions section).

Other expenses amounted to $756,909 for the three months March 31, 2022. It consisted of professional fees of $76,283 and general and administrative expenses of $680,626. Included within general and administrative expenses are $606,794 of amortized financing costs that were incurred in third quarter of 2021 by CAR LP I and the Company that are being amortized over a period of one year. Other expenses amounted to $67,967 for the three months ended March 31, 2021. It consisted of professional fees of $39,263 and general and administrative expenses of $28,704.

For the three months ended March 31, 2022, the Company reported net income attributable to shareholders of $422,460 compared to net income of $545,896 for the three months ended March 31, 2021.

Select Statement of Financial Position

As at	**Mar 31, 2022**	**Dec 31, 2021**	**Dec 31, 2020**
	$	**$**	**$**
Cash	13,037,223	12,426,169	5,308,888
Finance receivables - net	172,960,579	149,783,991	104,799,381
Derivative financial instrument	1,555,404	305,137	-
Other assets	1,373,503	1,769,946	813,959
Total assets	**188,926,709**	**164,285,243**	**110,922,228**
Securitization debt	145,948,194	126,970,398	99,691,748
Subordinated debt	19,388,957	14,968,599	-
Deferred purchase price payable	7,046,848	5,939,827	3,507,718
Other liabilities	1,096,759	1,110,988	211,958
Total liabilities	173,480,758	148,989,812	103,411,424
Equity attributable to shareholders	11,237,616	11,058,323	5,942,480
Non-controlling interest	4,208,335	4,237,108	1,568,324
Total liabilities and equity	**188,926,709**	**164,285,243**	**110,922,228**

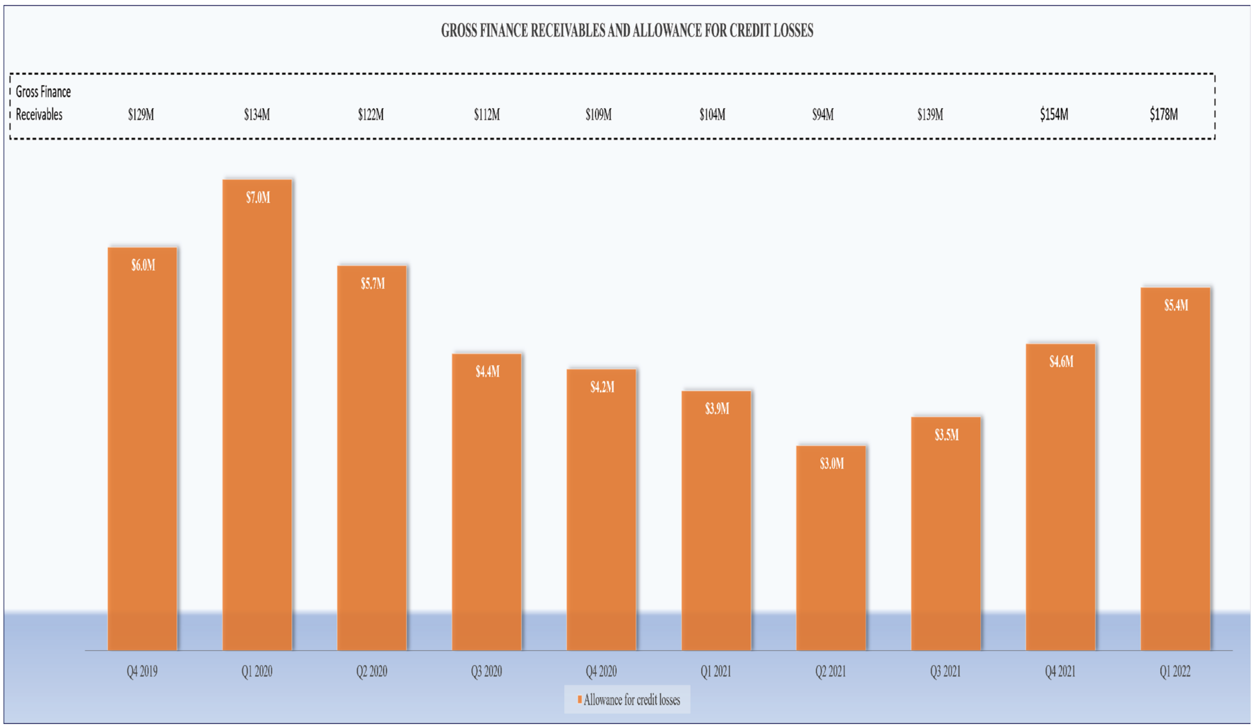
As at	**Mar 31, 2022**	**Dec 31, 2021**	**Dec 31, 2020**
Finance receivables - net	172,960,579	149,783,991	104,799,381
Stage 1 allowance for credit losses	2,812,527	2,463,478	2,645,607
Stage 2 & 3 allowance for credit losses	2,583,589	2,098,786	1,538,847

The Company had cash of $828,760 at March 31, 2022 and the Partnerships held cash balances of $12,208,463 for a consolidated total of $13,037,223. At December 31, 2021, the Company had cash of $650,754 and the Partnerships held cash balances of $11,775,414 for a consolidated total of $12,426,169. At December 31, 2020, the Company had cash of $182,611 and the Partnerships held cash balances of $5,126,277 for a consolidated total of $5,308,888. The Partnerships' cash is primarily generated from the receipt of payments from customers related to the retail sales/loan contracts, as well as net proceeds from securitization, less amounts payable on acquisition of the retail sales/loan contracts. The Partnerships make payments to the funders on the securitization debt on the first, tenth and fifteenth day of the following month, and therefore, hold large cash balances at the end of every month.

Finance receivables consist of retail sales/loan contracts which have initial terms of 18 to 84 months at the time of origination and bear fixed rates of interest ranging from 9% to 27%. All finance receivables are secured by collateral charges on the motor vehicles financed. The balance of $172,960,579 as at March 31, 2022 represents the outstanding principal balance and accrued interest and fees owing from customers, including associated capitalized transaction costs, net of unearned administration fees of $9,235,565, and net of estimated allowance for credit losses of $5,396,116. The allowance for credit losses as at March 31, 2022 includes an estimate for higher ECL resulting from economic disruptions caused by COVID-19. In the current economic environment impacted by COVID-19 as well as higher inflation and expected rise in benchmark interest rates, the IFRS 9 model in isolation may not capture all the uncertainty. Therefore, management has applied its expert credit judgment in the determination of the allowance for credit losses. The balance of $149,783,991 at December 31, 2021 represents the outstanding principal balance and accrued fees owing from customers, including associated transaction costs, net of unearned administration fees of $7,794,461 and net of estimated allowance for credit losses of $4,562,264.

The allowance for credit losses represents 3.03% of the gross finance receivables outstanding at March 31, 2022, compared to 2.96% at December 31, 2021.

Under IFRS 9, an allowance for ECL over the next twelve-months is required to be set up immediately on the acquisition of new finance receivables, even though little or no income may have been recognized on such new finance receivables. This results in the early recognition of potential future credit losses on otherwise performing and newly purchased finance receivables. It is important to note that the ECL under IFRS 9 does not impact the actual charge-offs which are driven by borrowers' credit profiles and behaviour. The below chart outlines the relationship between finance receivables and allowance for ECL. As the finance receivables continue to grow or decline, the allowance for ECL follows the finance receivables directionally, relative to immediately preceding quarter.



Other assets as at March 31, 2022 primarily include unamortized financing costs of $609,529 related to CAR LP I and the Company and amounts due from related parties in the normal course of operations of $713,961, which were settled subsequently (refer to Related Party Transactions section). Other assets at December 31, 2021 primarily include unamortized financing costs of $1,215,360 and amounts due from related parties of $381,791, which were settled subsequently.

As at March 31, 2022, securitization debt of $145,948,194 was outstanding which is net of a cash holdback held in trust by the funders of $10,216,782. As at December 31, 2021, securitization debt of $126,970,398 was outstanding which is net of a cash holdback held in trust by the funders of $9,996,261. As at March 31, 2022, subordinated debt of $19,388,957 was outstanding, which is a new funding facility obtained during the third quarter of 2021. The Partnerships, the Company and CCMI are subject to certain financial covenants under the securitization and subordinated debt facilities, including minimum tangible net worth requirements, all of which were in compliance during the year.

The Partnerships purchase retail sales/loan contracts from CCMI on a fully serviced basis. A component of the purchase price paid for the purchased receivables is deferred and payable to CCMI over the remaining life of the related finance receivables.

As at March 31, 2022, the deferred purchase price payable to CCMI amounted to $7,046,848, of which $3,524,076 is estimated to be due within one year. As at December 31, 2021, the deferred purchase price payable to CCMI amounted to $5,939,827 of which $2,804,827 was estimated to be due within one year.

Other liabilities as at March 31, 2022 and December 31, 2021 consisted primarily of trade payables and accruals.

Equity attributable to shareholders increased from $11,058,323 at December 31, 2021 to $11,076,245 at March 31, 2022, primarily due to net income attributable to shareholders reported by the Company for the three months ended March 31, 2022 of $422,459.

Equity attributable to shareholders increased from $5,942,480 at December 31, 2020 to $11,058,323 at December 31, 2021. The increase relates to a private placement of shares during the third quarter of 2021, net of issuance costs, of $4,411,954, and net income attributable to shareholders of $1,057,685 for the year ended December 31, 2021, partially offset by dividend paid during the year.

Non-controlling interest increased from $4,237,108 at December 31, 2021 to $4,208,335 at March 31, 2022, due to proportionate share of net income reported by the Partnerships of $223,789 to which the non-controlling parties are entitled.

Select Statement of Cash Flow Summary

	For the three months ended	
	Mar 31, 2022	**Mar 31, 2021**
	$	$
Cash (used in)/provided by operating activities	(22,282,789)	5,111,223
Cash provided by/(used) financing activities	22,893,843	(5,389,659)
Increase/(decrease) in cash during the period	**611,054**	**(278,436)**

The cash used in operating activities for the three months ended March 31, 2022, was primarily for the acquisition of finance receivables and transaction costs of $40,534,099 partially offset by cash flow generated from collections of $13,963,486 and other changes. Cash provided by operating activities for the three months ended March 31, 2021 consisted primarily of cash flow generated from collections of $11,207,384, partially offset by the acquisition of finance receivables and other changes.

The cash provided by financing activities for the three months ended March 31, 2022, consisted primarily of gross proceeds from securitization debt of $35,644,747 and subordinated debt of $4,999,427. The cash used in financing activities for the three months ended March 31, 2021, consisted primarily of the repayment of the securitization debt.

Reconciliation of Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. In this MD&A, in addition to financial results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under IFRS and which do not have standard meanings prescribed by IFRS. These measures include the following:

- **Adjusted net income (loss) before taxes** - Net income before taxes excluding the impact of changes in Stage 1 provision for credit losses. Individual credit loss stages are representative of the net movement in the balance sheet amounts between periods.

- **Gross yield** - Income excluding amortization of capitalized costs and mark to market gains on derivatives for the period, divided by average finance receivables excluding capitalized transaction costs for the same period, annualized.

- **Delinquency rate** - Outstanding principal balance of delinquent finance receivables (those greater than 30 days past due) at the end of a period, divided by the total outstanding principal balance of all finance receivables excluding capitalized transaction costs at the same date.

The non-IFRS measures and additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The Company's primary assets are the finance receivables which are secured by a charge on motor vehicles financed. As such, key performance indicators for the assets in the Partnerships are reported below:

	Q1 2022	**Q4 2021**	**Q3 2021**	**Q2 2021**	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**
Gross yield	16.52%	15.96%	15.25%	16.65%	16.84%	16.50%	16.48%	16.45%
Delinquency rate	3.76%	3.76%	2.75%	3.09%	3.42%	3.42%	2.85%	4.09%

Non-IFRS Measures Reconciliation	**For the three months ended**	
	Mar 31, 2022	**Mar 31, 2021**
Net income before taxes	765,785	893,796
Change in Stage 1 provision for credit losses	39,753	(34,131)
Adjusted net income before taxes	805,538	859,665

The Company's portfolio of retail sales/loan contracts, during the past eight quarters, have produced strong gross yields, consistent with the quality of portfolio, which contribute favourably to net earnings. The Company's gross yields are comparable and reasonably consistent quarter over quarter and reflect the recent reduction in associated funding costs during the year ended December 31, 2021.

Management expects the delinquency ratio to be in the range of 4.5% to 5.5%. The delinquency rate for current quarter is still below the low end of the expected range at 3.76%. The trend of low delinquency is expected to return within the targeted range as economic relief programs during the pandemic have been phased out and inflationary pressures continue to outpace levels targeted by central banks. Management is focused on proactive portfolio management for better performance and credit quality, and closely monitors and measures key indicators such as Non-Sufficient Funds (NSF), payment deferral rates, customer contact rates, and promises to pay, as well as the impact of seasonality.

Business Outlook

The funding facilities entered into by the Partnerships renew annually and as at March 31, 2022, $142.6 million of funding remains available for utilization until the next renewals in third quarter of 2022.

Cliffside is targeting growth in assets under management and growth in returns, while maintaining an acceptable level of credit risk to ultimately deliver reliable returns to its shareholders.

Liquidity and Capital Resources

The Partnerships have $12,208,463 in cash as of March 31, 2022. This cash is used to service principal and interest on the securitization and subordinated debts as well as to continue to acquire and securitize finance receivables and meet working capital requirements. The Partnerships use cash flow budgeting processes to monitor cash requirements which allows them to better manage their liquidity. The Partnerships have access to funding facilities made up of securitization and subordinated debts, which have availability of $143 million as at March 31, 2022. As the Partnerships continue to acquire more finance receivables and generate positive cash flows, they may distribute some of their cumulative earnings to their partners.

Through a combination of three private placements in 2013, 2014 and 2021, the Company's initial public offering ("IPO") in 2014, and the Rights offering capital raise in 2019, the Company has raised gross proceeds of

$12.6 million from the issuance of common shares. These proceeds were invested in the Partnerships in 2016, 2019, 2020 and 2021 leaving the Company with approximately $0.8 million of cash on hand at March 31, 2022.

Share Capital

The Company is authorized to issue an unlimited number of common shares. Issued and outstanding common shares are as follows:

	Shares	Amount ($)
Ending balance, December 31, 2020	74,766,667	7,362,347
Issuance of common shares	-	-
Ending balance, March 31, 2021	**74,766,667**	**7,362,347**
Issuance of common shares, net of issuance cost	22,500,000	4,411,954
Ending balance, December 31, 2021	**97,266,667**	**12,044,486**
Issuance of common shares	-	-
Ending balance, March 31, 2022	**97,266,667**	**12,044,486**

The basic and diluted weighted average shares outstanding for the three months ended March 31, 2022 were 97,266,667 and 99,692,830 respectively. The basic and diluted weighted average shares outstanding for the three months ended March 31, 2021 were 74,766,667. The diluted weighted average shares outstanding for the three months ended March 31, 2021 excluded the effect of stock options and warrants issued and outstanding as they were considered anti-dilutive.

Incentive Stock Options and Warrants

Issued and outstanding stock options as at March 31, 2022 were 7,150,000. The Company granted 2,550,000 stock options to directors and officers on September 24, 2021, at an exercise price of $0.20 each, of which 637,500 vested immediately and the fair value was recorded in earnings during the quarter ended September 30, 2021, as stock-based compensation expense. The remaining 1,912,500 stock options will vest over the next three years. The newly granted stock options expire five years from the grant date.

Issued and outstanding stock warrants as at March 31, 2022 were 5,625,000. These were issued during the quarter ended September 30, 2021, to the subscribers of the private placement. These warrants can be exercised (one warrant for one common share) at any time during three years from the date of issue at a price of $0.20 per share. 2,197,000 stock warrants, granted at the time of rights offering in March 2019, were not exercised and therefore expired on March 26, 2022.

Dividends

On December 21, 2021 the Company's Board of Directors declared a quarterly cash dividend of $0.0025 per common share of the Company that was paid subsequent to the year-end on February 1, 2022 to holders of Common Shares of record on January 17, 2022.

On March 22, 2022 the Company's Board of Directors declared a quarterly cash dividend of $0.0025 per common share of the Company that was paid on May 2, 2022 to holders of Common Shares of record on April 15, 2022.

Summary of Quarterly Results

Below is a summary of operating results for the current and past eight quarters (in millions):

	2022	2021				2020			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$	$
Finance receivables-gross	178	154.35	139.18	94.92	104.08	108.98	117.43	127.96	140.82
Total Income	5.52	4.25	3.55	2.83	3.06	3.19	3.40	3.64	3.86
Total Expenses	4.75	4.56	3.71	1.65	2.17	2.31	2.34	2.49	5.34
Income (loss) before taxes	0.77	(0.31)	(0.16)	1.18	0.89	0.88	1.06	1.15	(1.48)
Provision for (recovery of) income taxes	0.12	(0.10)	0.02	0.25	0.15	(0.43)	-	-	-
Net income (loss) after taxes	0.65	(0.21)	(0.18)	0.93	0.74	1.31	1.06	1.15	(1.48)
Basic and diluted income (loss) per share	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	(0.01)

The quarterly highlights presented above are prepared using information derived from unaudited consolidated interim financial statements prepared in accordance with IFRS applicable to interim statements for the first three quarters of the respective year. Fourth quarters of each year were constructed from the annual audited results for the years ended December 31, 2021, December 31, 2020.

Related Party Transactions

In the ordinary course of business, the Company invests in retail sales/loan contracts and enters into transactions with its associated companies and other related parties. If these transactions are eliminated on consolidation, they are not disclosed as related party transactions. Transactions between the Company and its associated companies and key management personnel also qualify as related party transactions. Related party balances and transactions are listed as follows:

	Mar 31, 2022	Dec 31, 2021
	$	$
Assets		
Finance receivable - gross (note a)	178,356,695	154,346,255
Other assets (note b)	987,421	663,297
Liabilities		
Accounts payable and accrued liabilities (note c)	200,689	(27,679)
Deferred purchase price payable (note d)	7,046,848	5,939,827

	For the three months ended	
	Mar 31, 2022	Mar 31, 2021
	$	$
Income and expenses		
Management fees (note e)	38,798	24,265
General and administrative (note f)	273,460	-

The Company has related party relationships with the below entities.

- CCMI and ACC LP – CCMI is a limited partner in each of the Partnerships. The Partnerships each have an agreement with CCMI and ACC LP for the ongoing purchase of retail sales/loan contracts originated by CCMI which meet certain investment criteria established by the Company. Pursuant to these agreements, CCMI is responsible for providing ongoing portfolio and securitization facility administration services to the Partnerships. Accordingly, a portion of the purchase price is payable upfront, and a portion is deferred and payable over the life of the underlying retail sales/loan contracts. CCMI sells the contracts to the Partnerships through ACC LP. CCMI and ACC LP are related to the Company as a result of significant common ownership. Refer to note 3 for further details.

- Harrison Equity Partners ("HEP") - HEP is a related party due to one of the directors of the Company owning and controlling HEP. HEP provided debt raising and capital formation services to CAR LP I during the current year. HEP was paid a structuring fee of $1,093,840 by CAR LP I for these services.

  Balances and transactions the Partnerships have with these parties are as follows:
  Note a) Amounts represent gross outstanding finance receivables purchased from ACC LP. During the period, the Company acquired $40.5 million of gross finance receivables including transactions costs from ACC LP.
  Note b) Other assets include (i) amounts due from ACC LP and CCMI related to normal course customer collections which were settled subsequent to the end of the quarter; and (ii) an amount of $273,460 related to unamortized structuring fee paid to HEP.
  Note d) Amounts due to CCMI that are deferred and payable over the life of the underlying retail sales/loan contracts.
  Note f) General and administrative expense includes $273,460 of amortization of the structuring fee paid to HEP.

- LC Asset Management Corporation - The Company entered into a management agreement with LC Asset Management Corporation (the “Manager”) dated July 1, 2016 to provide investment advice and manage the operations of the Company. The Company pays the Manager a fee of 1.25% annually of the Company’s gross unconsolidated assets and a potential performance bonus subject to the financial performance of the Company. The

Manager is related to the Company as a result of significant common ownership. Additionally, the Chief Executive Officer of the Company holds the same position for the Manager.

Balances and transactions the Company has with the Manager are listed as follows:
Note c) Included in the balance was $38,798 management fees payable to the Manager as of March 31, 2022 (December 31, 2021 - $38,603).
Note e) Management fees to the Manager accrued during the period.

- Key management personnel - Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. The Company considers certain of its officers and directors to be key management personnel.

  There were no transactions with key management personnel during the three months ended March 31, 2022 and 2021.

Risks and Uncertainties

In the normal course of business, the Company is exposed to certain risks and uncertainties and manages them, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity for the Company is from cash raised from equity financing, which is used to finance working capital requirements and to meet the Company's financial obligations associated with financial liabilities. The Partnerships' financial obligations related to the finance receivables are non-recourse to the Company.

The primary source of liquidity for the Partnerships is cash flows from the collection of finance receivables. As at March 31, 2022, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	**Greater than 1 to 3 years**	**Greater than 3 to 5 years**	**Greater than 5 years**	**Undetermined**	**Total**
Total receivables	55,317,869	95,911,689	65,849,463	23,368,431	-	240,447,452

These cash flows are considered to be sufficient to cover the Partnerships' financial obligations for the same period as follows:

	Within 1 year	**Greater than 1 to 3 years**	**Greater than 3 to 5 years**	**Greater than 5 years**	**Undetermined**	**Total**
Securitization debt[1]	48,469,205	69,203,559	28,201,932	8,654,621	-	154,529,317
Subordinated debt					19,388,957	19,388,957
Deferred purchase price payable	3,524,076	2,714,064	728,640	80,068	-	7,046,848
Accounts payable and accrued liabilities	1,096,759	-	-	-	-	1,096,759
	53,090,040	71,917,623	28,930,572	8,734,689	19,388,957	182,061,881

[1] *Securitization debt obligation within 1 year excludes $5.4 million that was settled with the securitizers subsequent to March 31, 2022 from the cash available with the Partnerships' as at March 31, 2022.*

The notional amount of the derivative financial instrument is $70 million, and it is used to economically hedge the floating interest rate risk related to securitization debt. The maturity of notional amount closely aligns to the securitization debt. The amounts under derivative contract are settled on a net basis each month.

The amounts reported for finance receivables and securitization debt are based on contractual maturities. However, the finance receivables may become subject to losses and prepayments in which case, the cash flows shown above will not be realized. The repayment of subordinated debt is tied to the excess cash flows generated by CAR LP I and therefore, it is not included in the above contractual maturity table. These cash flows do not consider the potential impact of lock-up trigger events which can occur when loss ratios and delinquency rates are above defined thresholds. Further, the securitization debt may be due earlier if the corresponding finance receivables run-off sooner. Accordingly, the maturities and amounts in the tables above are not a forecast of future cash flows.

Credit Risk

Credit risk arises from the possibility that obligors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. Credit risk has a significant impact on finance receivables. The underlying obligors to the finance receivables typically would not be approved for financing at prime rates. These customers may have had poor or inadequate credit history or may be purchasing a vehicle that does not meet prime auto lending guidelines.

The performance of the finance receivables depends on a number of factors, including general economic conditions, unemployment levels, and the circumstances of individual obligors. The maximum exposure to the finance receivables is represented by the carrying amount thereof. Although credit risk has a significant impact on retail receivables, it is mitigated by the Partnerships having a first priority perfected security interest in the related financed vehicles. In the case of obligor defaults, the value of the repossessed collateral provides a source of protection. Every reasonable effort is made to follow-up on delinquent accounts and to keep accounts current and repossession is considered only as a last resort. As repossessed vehicles are sold, and proceeds are applied to the amount owing on the account. As such, the Partnerships are also exposed to fluctuations in used vehicle prices.

As a result of COVID-19, a global pandemic, a measurement uncertainty exists with respect to provision for credit losses. The Company has addressed this by closely monitoring the performance of its portfolio, including delinquency ratio, payment deferrals sought and granted, etc. These performance metrics, including their impact, have been leveraged to overlay an additional amount of ECL for finance receivables in stage 1.

The finance receivables have no significant concentration of credit risk due to the fact that they are made up of a pool of receivables, with no individual receivable having a significant balance in relation to the outstanding portfolio balance. In addition, the receivables are geographically dispersed throughout Canada, the underlying collateral consists of varying vehicle makes, models and types, the underlying obligors of the receivables have varying credit ratings, and the receivables have varying interest rates and terms.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The finance receivables are subject to fixed interest rates and are carried at amortized cost, such that there is no re-measurement of carrying amount as market interest rates fluctuate. Securitization debt is subject to fixed rates of interest, charged by a lender or converted from floating to fixed through an interest rate swap, for each tranche securitized.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have any financial instruments denominated in a foreign currency and therefore is not exposed to any currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are exposed to other price risk to the extent of fluctuations in used vehicle prices which impacts the recovery on repossessed vehicle sales.

Counterparty Risk

The Company and Partnerships are exposed to counterparty risk through their relationship with CCMI. CCMI is responsible for presenting retail sales/loan contracts to the Partnerships that meet the Company's investment criteria. There is a risk that CCMI may not be able to present contracts that are acceptable to the Company and the Partnerships would have to find a new source of originations. Further, CCMI is responsible for servicing the Partnerships retail sales/loan contracts and there is a risk that CCMI may not be able to service the contracts in the future. CAL LP has a standby backup servicer and it can be used for ACC LP III if this were to occur. CAR LP I also has a standby backup servicer.

Fair Values

In measuring fair value, the Company uses various valuation methodologies and prioritizes the use of observable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in the Company's fair value hierarchy assessment.

- Level 1 - inputs include quoted prices for identical instruments and are the most observable
- Level 2 - inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.
- Level 3 - inputs include data not observable in the market and reflect management.

The fair value of the derivative financial instrument is estimated by using a third-party broker quotation. This is categorized within Level 2 of the hierarchy.

The Company reviews the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. The valuation techniques used in estimating fair values are as follows:

- Finance receivables, securitization debt, subordinated debt and deferred purchase price payable - The fair value is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration estimated losses, estimated prepayments, estimated administration costs, and other fees ancillary to administering the underlying retail sales/loan contracts. These items are categorized within Level 3 of the hierarchy. The carrying value of these items approximates fair value.

Finance receivables, securitization debt and subordinated debt are subject to fixed rates of interest and have similar maturities. As such, the Company is economically hedged against changes in market interest rates and will not experience a financial impact if there is a change in rates.

Trading and Share Statistics

Below are details of the Company's share price for the three months ended March 31, 2022 and the twelve months ended December 31, 2021.

For the period ended	Mar 31, 2022	Dec 31, 2021
Average monthly trading volume	198,943	88,436
Share price		
High	0.30	0.22
Low	0.19	0.15
Close	0.22	0.22
Outstanding shares at the end of the period	97,266,667	97,266,667