

# **AUTOMOTIVE FINCO CORP.**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND MARCH 31, 2024 (UNAUDITED)**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not audited these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

**AUTOMOTIVE FINCO CORP.**

**Condensed Interim Consolidated Statements of Financial Position (Unaudited)**

*(Canadian dollars)*

	Notes	March 31 2025	December 31 2024
<b>ASSETS</b>			
Current			
Cash		\$ 734,236	\$ 183,585
Interest receivable		5,183,981	5,200,963
Prepaid expenses		7,132	17,832
Partnership's loan investment		21,000,000	21,000,000
		<u>26,925,349</u>	<u>26,402,380</u>
Non-current			
Exploration and evaluation assets		1	1
Total assets		<u>\$ 26,925,350</u>	<u>\$ 26,402,381</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accruals		\$ 87,314	\$ 75,960
Total liabilities		<u>87,314</u>	<u>75,960</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock	7	15,172,562	15,172,562
Contributed surplus		7,561,788	7,561,788
Retained earnings/(Deficit)		4,103,666	3,592,051
Total equity attributable to owners of the parent company		26,838,016	26,326,401
Non-controlling interest		20	20
Total equity		<u>26,838,036</u>	<u>26,326,421</u>
Total liabilities and shareholders' equity		<u>\$ 26,925,350</u>	<u>\$ 26,402,381</u>

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

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 29, 2025.

/s/ Kuldeep Billan  
CEO

/s/ Shannon Penney  
CFO

**AUTOMOTIVE FINCO CORP.****Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)***(Canadian dollars)*

	Notes	Three months ended March 31 2025	Three months ended March 31 2024
<b>REVENUE</b>			
Interest revenue from Partnership's loan investments	6	\$ 764,206	\$ 703,320
<b>OTHER OPERATING EXPENSES (INCOME)</b>			
Partnership expenses		99,925	99,925
Legal expense		4,245	81
Professional fees		49,689	39,533
Director fees		79,013	78,974
General and administrative expenses		19,719	18,969
		252,591	237,482
<b>NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>			
		\$ 511,615	\$ 465,838
<b>NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>			
AFCC common shareholders		\$ 511,615	\$ 465,838
Non-controlling interest		—	—
		\$ 511,615	\$ 465,838
Basic income (loss) per common share	10	\$ 0.03	\$ 0.02
Diluted income (loss) per common share	10	\$ 0.03	\$ 0.02

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

**AUTOMOTIVE FINCO CORP.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)**

(Canadian dollars)

Notes	Capital stock	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-Controlling Interest	Total Shareholders' Equity
	\$15,172,562	\$7,561,788	\$1,481,776	\$24,216,126	\$18	\$24,216,144
	—	—	465,838	465,838	—	465,838
	—	—	—	—	—	—
	<b>\$15,172,562</b>	<b>\$7,561,788</b>	<b>\$1,947,614</b>	<b>\$24,681,964</b>	<b>\$18</b>	<b>\$24,681,982</b>
<hr/>						
	\$15,172,562	\$7,561,788	\$3,592,051	\$26,326,401	\$20	\$26,326,421
	—	—	511,615	511,615	—	511,615
	—	—	—	—	—	—
	<b>\$15,172,562</b>	<b>\$7,561,788</b>	<b>\$4,103,666</b>	<b>\$26,838,016</b>	<b>\$20</b>	<b>\$26,838,036</b>

**AUTOMOTIVE FINCO CORP.****Condensed Interim Consolidated Statements of Cash Flows (Unaudited)**

(Canadian dollars)

	Notes	Three months ended March 31 2025	Three months ended March 31 2024
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		\$ 511,615	\$ 465,838
Adjustments	8	—	—
		511,615	465,838
Changes in working capital items	11	39,036	(648,084)
Cash flows from operating activities		550,651	(182,246)
<b>FINANCING ACTIVITIES</b>			
Dividends	7	—	—
Cash flows from financing activities		—	—
<b>INVESTING ACTIVITIES</b>			
Cash flows from investing activities		—	—
Net change in cash		550,651	(182,246)
Cash, beginning of period		183,585	237,936
Cash, end of period		<u>\$ 734,236</u>	<u>\$ 55,690</u>

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

## **AUTOMOTIVE FINCO CORP.**

### **Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**

*(Canadian dollars)*

#### **1. NATURE OF OPERATIONS**

Automotive Finco (hereafter the “Company” or “AFCC”) was incorporated under the Canada Business Corporations Act on December 5, 1986.

The head and registered office is located at 222 Bay Street, Suite 3000, Toronto ON, M5K 1E7, Canada.

The Company is a reporting issuer in all provinces and territories of Canada. The common shares were listed and posted for trading on the TSX Venture Exchange under the trading symbol “AFCC” until April 20, 2021. On April 19, 2021, the Company announced that it had not satisfied the Tier 2 continued listing requirements and its listing on the TSX Venture Exchange (TSXV) was transferred by the TSXV to the NEX board (NEX) effective at the opening of trading on April 21, 2021. The Company’s shares continue to trade under the symbol AFCC but with the extension (.H). The symbol extension differentiates NEX symbols from Tier 1 or Tier 2 symbols within the TSXV.

In 2017, the Company entered into a limited partnership agreement with Automotive Finance Limited Partnership (the “Partnership”). Automotive Finance GP Inc. is the General Partner of the Partnership and it is an entity controlled by a shareholder exercising a significant influence. The Company is the sole limited partner of the Partnership and makes its investments indirectly through the Partnership (see Note 6). Automotive Finance Limited Partnership was formed in Ontario, Canada on February 23, 2017, is engaged in the business of lending and investing and administering investment funds and has a December 31<sup>st</sup> year-end.

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

#### **2. COMPLIANCE WITH IFRS**

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter “IFRS Accounting Standards”) and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

#### **3. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2024. The Company’s material accounting policies as presented in Note 4 of the financial statements for the year ended December 31, 2024 have been consistently applied in the preparation of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements are prepared using the historical cost method, except for financial instruments at fair value through profit or loss which are measured at fair value and are presented in Canadian dollars which is also the Company’s functional currency.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on May 29, 2025.

#### **4. CHANGES IN ACCOUNTING POLICIES**

##### **4.1 Recent Accounting Pronouncements**

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

##### **IFRS 18 *Presentation and Disclosure in the Financial Statements***

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and provides more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes;

#### 4 CHANGES IN ACCOUNTING POLICIES (continued)

##### 4.1 Recent Accounting Pronouncements (continued)

- the classification of all income and expenses within the statement of profit or loss in one of five categories;
- a new requirement to disclose performance measures defined by management;
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

The publication of IFRS 18 results also in consequential amendments to other IFRS standards, including IAS 7 *Statement of Cash Flows*.

IFRS 18 is effective for annual periods beginning on or after 1 January 2027, with earlier application permitted. IFRS 18 will apply retrospectively with specific transitional provisions.

The Company is currently working to identify all impacts that the amendments will have on the primary financial statements and notes to the financial statements.

Management anticipates that all applicable pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement.

New standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements and therefore, are not discussed further.

#### 5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is discussed below.

##### 5.1 Significant management judgements

###### *Recognition of deferred tax assets and measurement of deferred income tax*

Management continually evaluates the likelihood that its deferred tax could be realized. The assessment of availability of future taxable profits involves significant judgement. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

#### 6. PARTNERSHIP'S LOAN INVESTMENT

On November 18, 2022, the Company, via Automotive Finance Limited Partnership, agreed to fund a new unsecured loan (the "Investment") to AA Finance Co LP (the "Investee") of \$21,000,000. The Investee is controlled by a shareholder exercising significant influence on the Company. The Investment bears interest at 12.0% per annum and was payable in cash or payment in kind ("PIK Interest") with a one year term plus an additional one year option by the Investee and, under certain circumstances, may have been convertible into equity of a related entity of the Investee. In November 2023, pursuant to the loan agreement, the Investee elected to extend the maturity date of the loan by one year to November 18, 2024.

On November 22, 2024 the Company announced that it approved for the Investment to be amended and restated (the "Restated Promissory Note"). The Restated Promissory Note was amended and restated to, among other things, exclude the IPO conversion option, to include an extension of the loan for a period of six months from the maturity date of November 18, 2024 with an option (at the request of the Investee) to extend for up to an additional six months, provided no event of default has occurred and interest (on a go forward basis) is to be paid quarterly. Additionally, the Investee shall be entitled, at any time and from time to time to prepay all or any portion of the outstanding principal amount without notice or penalty.

The fair value of the Investment at origination, December 31, 2024 and March 31, 2025 is \$21,000,000.

**AUTOMOTIVE FINCO CORP.****Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)***(Canadian dollars)***6. PARTNERSHIP'S LOAN INVESTMENT** (continued)

During the three months ended March 31, 2025, the Partnership earned interest income of \$764,206 (three months ended March 31, 2024 - \$703,320) from the Investee and the Investee paid interest in the amount of \$781,189 (three months ended March 31, 2024 - \$Nil). The Partnership incurred Partnership expenses of \$99,925 (\$99,925 during the three months ended March 31, 2024). Partnership expenses include items such as compensation of the CEO/CFO and other general & administrative expenses.

See Notes 12 and 15 for additional information.

**7. EQUITY****7.1 Capital stock**

Capital stock consists of fully paid common shares, no par value, of which 2,000 shares are held in escrow (2,000 at December 31, 2024).

*Authorized*

Unlimited number of shares without par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote each at shareholders' meetings. Capital stock is as follows:

	<u>Number of shares</u>
Balance, December 31, 2024 and March 31, 2025	<u>19,819,377</u>

**7.2 Dividends**

During the current period, the Company paid eligible dividends of \$Nil (three-month period ended March 31, 2024 - \$Nil). The monthly cash dividend of \$0.0171/common share was suspended effective March 1, 2023.

The declaration, timing, amount and payment of future cash dividends are subject to the Board of Directors' continuing determination that the payment of dividends are in the best interests of the Company and its shareholders and is in compliance with all laws and agreements of the Company applicable to the declaration and payment of cash dividends.

See Note 15 for additional information.

**8. SHARE-BASED REMUNERATION****8.1 Stock options**

The Company maintains stock option plans whereby the Board of Directors may grant to directors, officers, employees and consultants, options to acquire common shares.

The plan provides that the maximum number of common shares which may be reserved for issuance to any option may not exceed 10% of the common shares outstanding at the time of grant. These stock options have a maximum life period of 5 years after the grant date.

The number of shares reserved for issuance to any beneficiary may not exceed 5% of the then outstanding shares. The number of shares reserved for consultants or any employee performing investor relation activities for a period of twelve months may not exceed 2% of the outstanding shares of the Company. The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

All share-based remuneration will be settled in equity. As at December 31, 2024 and March 31, 2025 there were no stock options outstanding.

In total, \$Nil employee share-based remuneration expense (related to equity-settled share-based payment transactions) was included in profit or loss for the three-month periods ended March 31, 2025 and March 31, 2024.

**AUTOMOTIVE FINCO CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
(Canadian dollars)

**8. SHARE-BASED REMUNERATION (continued)**

**8.2 Restricted share unit plan and deferred share unit plan**

In the past, DSUs were awarded to the directors. The DSUs awarded have no expiry date and vest subject to the achievement of specific price and operational performance conditions. The DSUs vested in 2017. As at December 31, 2024 and March 31, 2025 20,000 DSUs are outstanding.

As at December 31, 2024 and March 31, 2025 no RSUs are outstanding.

The Company recorded \$Nil share-based remuneration expense related to the RSUs and DSUs during the three-month periods ended March 31, 2025 and March 31, 2024.

**9. FAIR VALUE MEASUREMENT**

*Fair value measurement of financial instruments*

The following presents financial assets and liabilities measured at amortized cost for which the fair value is disclosed in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The fair value of the Partnership's loan investments is estimated using analysis of discounted cash flows based on current borrowing rates which apply to similar borrowings and is classified in Level 2.

**10. NET EARNINGS (LOSS) PER SHARE**

	Three months ended March 31, 2025	Three months ended March 31, 2024
Net earnings (loss) attributable to common shareholders used in calculating diluted earnings (loss) per share	<u>\$ 511,615</u>	<u>\$ 465,838</u>
Weighted average number of shares outstanding used in calculating diluted earnings per share	<u>19,819,377</u>	<u>19,819,377</u>

**11. ADDITIONAL INFORMATION - CASH FLOWS**

The changes in working capital items are detailed as follows:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Prepaid expenses	\$ 10,700	\$ 10,271
Interest receivable	16,982	(703,320)
Accounts payable and accruals	11,354	44,965
	<u>\$ 39,036</u>	<u>\$ (648,084)</u>

## 12. RELATED PARTY TRANSACTIONS

The Company's related parties include key management and other related parties, as described below. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

### 12.1 Transactions with key personnel

The Company considers key personnel to be those having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key personnel are the members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. Remuneration of key personnel includes the following expenses:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Partnership expenses	\$ 87,500	\$ 87,500
Directors' fees	79,013	78,974
<b>Total remuneration</b>	<b>\$ 166,513</b>	<b>\$ 166,474</b>

As at March 31, 2025, the Company had accounts payable of \$87,314 (\$75,960 as at December 31, 2024) of which \$16,000 (\$16,000 as at December 31, 2024) was to key personnel as share-based remuneration.

### 12.2 Transactions with related companies

As at March 31, 2025, the Company had interest receivable in the amount of \$5,183,981 (\$5,200,963 - as at December 31, 2024) related to the Partnership's loan investments (see Note 6).

During the period, the partnership incurred partnership expenses of \$99,925 (three months ended March 31, 2024 - \$99,925) with an entity controlled by a shareholder exercising significant influence.

During the period, the Investee paid interest in the amount of \$781,189 (three months ended March 31, 2024 - \$Nil).

See Notes 6 and 15 for additional information.

## 13. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to increase the value of the assets of the business; and
- to provide an adequate return to owners.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders and issue new shares.

No changes were made in the objectives, policies and processes for managing capital during the reporting periods.

**AUTOMOTIVE FINCO CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
(Canadian dollars)

#### **14. FINANCIAL INSTRUMENTS RISKS**

The Company is exposed to various risks relating to financial instruments. The main types of risks are credit risk and liquidity risk.

The Company does not actively engage in the trading of financial assets for speculative purposes. No changes were made in the objectives, policies and processes related to financial instruments risk management during the reporting periods.

##### **14.1 Credit risk**

Credit risk is the risk that another party to a financial instrument fails to discharge an obligation and thus, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	March 31, 2025	December 31, 2024
Cash	\$ 734,236	\$ 183,585
Interest receivable	5,183,981	5,200,963
Partnership's loan investments	21,000,000	21,000,000
Carrying amounts	<u>\$ 26,918,217</u>	<u>\$ 26,384,548</u>

The Company continuously monitors defaults of counterparties. Management considers that all the above financial assets for each of the reporting dates under review are of good credit quality. Therefore, the credit risk is considered negligible, since the counterparties are reputable banks and partners with good financial situations.

##### **14.2 Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty meeting obligations associated with financial liabilities that are settled by cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

The following table presents contractual maturities of the Company's liabilities:

	March 31, 2025	December 31, 2024
<u>Less than 12 months</u>		
Account payable and accruals	<u>\$ 71,319</u>	<u>\$ 59,964</u>

The Company considers expected cash flows from cash and Partnership's loan investments in assessing and managing liquidity risk. Management believes that working capital on hand will be sufficient to fund the Company's activities for the next 12 months.

#### **15. SUBSEQUENT EVENTS**

##### **15.1 Dividends**

On May 22, 2025, the Company announced that it has declared quarterly cash dividends of \$0.0513 per common share (\$0.205 per common share on an annual basis) with the initial dividend payable on July 31, 2025 to shareholders of record as of June 30, 2025.

##### **15.2 Partnership Loan**

On May 22, 2025, the Company announced that pursuant to the loan agreement made by Automotive Finance Limited Partnership to AA Finance Co LP (the "Investee") on November 18, 2024, the Investee has elected to extend the loan six months with the maturity date being November 18, 2025.

The Investee paid interest in the amount of \$755,715 in May 2025

See Notes 6 and 12 for additional information.