AutoCanada Inc.

Interim Consolidated Financial Statements
(Unaudited)

March 31, 2010

(expressed in Canadian dollar thousands except share and per share amounts)

AutoCanada Inc.

Interim Consolidated Balance Sheet

(expressed in Canadian dollar thousands)

	March 31, 2010 (Unaudited)	December 31, 2009
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	23,615	22,465
Accounts receivable	40,752	35,388
Inventories (note 4)	153,847	108,324
Prepaid expenses	2,013	1,649
Future income taxes	-	500
	220,227	168,326
Property & equipment	17,400	17,794
Intangible assets	43,700	43,700
Future income taxes	1,160	1,647
Leasehold inducements (note 7)	2,569	2,142
Other assets	56	56
	285,112	233,665
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	22,158	25,556
Revolving floorplan facilities (note 5)	160,590	102,650
Income taxes payable	1,547	-
Current portion of long-term debt (note 6)	272	271
Future income taxes	-	2,012
	184,567	130,489
Long-term debt (note 6)	19,010	23,074
	203,577	153,563
Economic dependence (note 2)		
SHAREHOLDERS' EQUITY		
Share capital	190,435	190,435
Contributed surplus	3,918	3,918
Deficit	(112,818)	(114,251)
	81,535	80,102
	285,112	233,665

Approved on behalf of the Company:

(Signed) "Gordon R. Barefoot" Director (Signed) "Robin Salmon" Director

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

AutoCanada Inc.

Interim Consolidated Statement of Operations, Comprehensive Income and Deficit

(expressed in Canadian dollar thousands except share and per share amounts)

	Three Months ended March 31, 2010 (unaudited)	*Three Months ended March 31, 2009 (unaudited)*
	$	**$**
Revenue		
Vehicles	173,569	145,946
Parts, service and collision repair	27,055	26,395
Other	916	458
	201,540	172,799
Cost of sales (note 4)	166,823	141,618
Gross profit	34,717	31,181
Expenses		
Selling, general and administrative	29,834	27,813
Interest	2,023	1,345
Amortization	905	872
	32,762	30,030
Earnings before income taxes	1,955	1,151
Income taxes	522	97
Net earnings & comprehensive income for the period	1,433	1,054
Deficit, beginning of period	(114,251)	(124,344)
Distributions declared	-	(2,485)
Deficit, end of period	(112,818)	(125,778)
Earnings per share		
Basic	0.072	0.053
Diluted	0.072	0.053
Weighted average shares		
Basic	19,880,930	19,880,930
Diluted	19,880,930	19,880,930

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

AutoCanada Inc.

Interim Consolidated Statement of Cash Flows

(expressed in Canadian dollar thousands)

	Three Months ended March 31, 2010 (unaudited)	*Three Months ended March 31, 2009 (unaudited)*
Cash provided by (used in)	**$**	**$**
Operating activities		
Net earnings for the period	1,433	1,054
Items not affecting cash		
Income taxes	522	97
Unit-based compensation	-	39
Amortization	905	872
Loss (gain) on disposal of property & equipment	(2)	9
	2,858	2,071
Net change in non-cash working capital balances	3,260	(5,284)
	6,118	(3,213)
Investing activities		
Purchase of property & equipment	(541)	(1,065)
Disposal of other assets	-	44
Payment of leasehold inducements	(427)	-
Proceeds on sale of property & equipment	63	-
Restricted cash	-	(218)
	(905)	(1,239)
Financing activities		
Proceeds from long-term debt	-	286
Repayment of long-term debt	(4,063)	(419)
Distributions paid	-	(2,485)
	(4,063)	(2,618)
Increase (decrease) in cash	1,150	(7,070)
Cash and cash equivalents, beginning of period	22,465	19,592
Cash and cash equivalents, end of period	23,615	12,522
Supplementary information		
Cash interest paid	1,857	1,486
Transfer of inventory to property & equipment	107	176
Transfer of property & equipment to inventory	77	252

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

(expressed in Canadian dollar thousands except share and per share amounts)

1 Nature of operations and basis of presentation

AutoCanada Inc. ("AutoCanada" or "The Company") was incorporated on October 29, 2009 under the laws of the Province of Alberta as a wholly owned subsidiary of AutoCanada Income Fund (the "Fund"), a publicly traded, open-ended, unincorporated trust. On December 31, 2009 the unitholders of the Fund exchanged their units for common shares of the Company (on a one-for-one basis) as part of a plan of arrangement (the "Reorganization"). The plan of arrangement resulted in the Fund becoming wholly owned by the Company. These transactions are accounted for on a continuity of interest basis and accordingly, the interim consolidated financial statements reflect the financial position, results of operations and cash flows of the Company consolidated with the Fund and all its acquired subsidiaries as if the Company had always held the units of the Fund and carried on the business formerly carried on by the Fund and its subsidiaries. All references to "shares" refer collectively to AutoCanada's common shares on and subsequent to December 31, 2009 and to the Fund Units prior to the Reorganization. All references to "shareholders" refer collectively to holders of AutoCanada's shares on and subsequent to December 31, 2009 and to Fund Unitholders prior to the Reorganization.

The business of AutoCanada, held in its subsidiaries and limited partnerships, is the operation of franchised automobile dealerships in British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick. The Company offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after-market products. The Company also arranges financing and insurance for vehicle purchases by its customers through third-party finance and insurance sources.

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars rounded to the nearest thousand ($000), except share and per share amounts or where otherwise indicated. The accounting principles and methods of computation adopted in these financial statements are the same as those for the annual audited financial statements for the period ended December 31, 2009, except as described in Note 3. The interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the period ended December 31, 2009.

Included in these consolidated financial statements are the accounts of AutoCanada and all of its subsidiary limited partnerships and incorporated companies. The results of acquired business operations are included in these interim consolidated financial statements from their effective dates of acquisition. All significant inter-entity balances and transactions have been eliminated.

2 Economic dependence, use of estimates and measurement uncertainty

The Company has significant commercial and economic dependence on Chrysler Canada and GMAC Canada. As a result, the Company is subject to significant risk in the event of the financial distress of Chrysler Canada, one of our major vehicle manufacturers and parts suppliers, and GMAC Canada, which provides the Company with revolving floorplan facilities for all of its dealerships.

The Company's interim consolidated financial statements include the operations of twenty-two franchised automobile dealerships, representing the product lines of seven global automobile manufacturers. The Company's Chrysler, Jeep, Dodge ("CJD") dealerships, which generated 73% of the Company's revenue in the

(expressed in Canadian dollar thousands except share and per share amounts)

three month period ended March 31, 2010 (2008 – 74%), purchase all new vehicles, a significant portion of parts and accessories and certain used vehicles from Chrysler Canada. In addition to these inventory purchases, the Company is eligible to receive monetary incentives from Chrysler Canada if certain sales volume targets are met and is also eligible to receive payment for warranty service work that is performed for eligible vehicles.

At March 31, 2010 and December 31, 2009, the Company had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

	March 31, 2010 $	**December 31, 2009 $**
Accounts receivable	2,765	3,196
New vehicle inventory	80,401	51,743
Demonstrator vehicle inventory	4,695	3,574
Parts and accessories inventory	4,331	4,484

The Company maintains revolving floorplan facilities for all of its dealerships with GMAC Canada. The Company also maintains cash balances with GMAC Canada which it uses to offset interest charges on its various revolving floorplan facilities.

At March 31, 2010 and December 31, 2009, the Company had recorded the following assets that relate to transactions it has entered into with GMAC Canada:

	March 31, 2010 $	**December 31, 2009 $**
Cash and cash equivalents	14,610	9,580
Revolving floorplan facility	160,590	102,650

Chrysler Canada is a subsidiary of Chrysler Group LLC ("Chrysler Group") in the United States. GMAC Canada is a subsidiary of GMAC Financial Services ("GMAC") in the United States. The viability of Chrysler Canada is directly dependent on the viability of Chrysler Group.

Use of estimates and measurement uncertainty

These interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these interim consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We periodically evaluate estimates and assumptions used in the preparation of the financial statements and make changes on a prospective basis when adjustments are necessary.

(expressed in Canadian dollar thousands except share and per share amounts)

The following significant estimates have been made by the Company in the accompanying interim consolidated financial statements, which given the economically dependent relationships described above or other factors, could require a material change in future periods.

Inventories

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory.

Intangible assets

The Company's identifiable intangible assets are rights under franchise agreements with automobile manufacturers. The Company assesses the carrying value of these unlimited life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable.

Allowance for doubtful accounts

The Company evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience.

3 New accounting policies

In 2010, the Company adopted *Section 1582 - Business Combinations* that was issued by the Canadian Institute of Chartered Accountants ("CICA"). This section replaces the former *Section 1581 - Business combinations* and provides the Canadian equivalent to International Financial Reporting Standard *IFRS 3R - Business Combinations* (January 2008). The new standard requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at fair value including contingent assets and liabilities; and recognize and measure the goodwill acquired in the business combination or a gain from a bargain purchase. Acquisition related costs are also to be expensed. The Company shall apply the new standard to future acquisitions and will apply the new standard to the acquisition of Future Hyundai as described in Note 9 of these unaudited interim consolidated financial statements. The new standard is to be applied prospectively; therefore acquisitions prior to January 1, 2010 are not affected by the change in accounting policy. The adoption of this Section did not have any impact on our financial position or results of operations.

(expressed in Canadian dollar thousands except share and per share amounts)

4 Inventories

	March 31, 2010 $	December 31, 2009 $
New vehicles	114,255	73,264
Demonstrator vehicles	7,182	5,816
Used vehicles	25,597	22,197
Parts and accessories	6,813	7,047
	153,847	108,324

During the three months ended March 31, 2010, $166,823 of inventory (2009 - $141,618) was expensed as cost of goods sold which included inventory write downs on used vehicles of $102 (2009 - $186).

During the three months ended March 31, 2010, $329 of demonstrator expense (2009 - $392) was included in selling, general, and administration expense.

As at March 31, 2010 and December 31, 2009, the Company had recorded reserves for inventory write downs of $1,656 and $1,512 respectively.

5 Revolving floorplan facilities

	March 31, 2010 $	December 31, 2009 $
New vehicles	138,180	88,219
Demonstrator vehicles	5,155	4,034
Used vehicles	17,255	10,397
	160,590	102,650

The Revolving Floorplan Facility (“GMAC facility”) available to the Company from GMAC Canada to finance new, demonstrator and used vehicles bears interest at the Prime Rate plus 1.00% (5.00% at March 31, 2010) and is payable monthly in arrears. Prime Rate is defined as the greater of the Royal Bank of Canada (“RBC”) prime rate (2.25% at March 31, 2010) or 4.00%. The maximum amount of financing provided by the GMAC facility is based on a maximum number of new, used and demonstrator vehicles to be financed on an individual dealership basis. The GMAC facility is collateralized by all of the dealerships’ new, used and demonstrator inventory financed by the GMAC facility and a general security agreement and cross guarantee from each of the Company’s dealerships. The individual notes payable of the GMAC facility are due when the related vehicle is sold or according to an aging based repayment policy as mandated by GMAC Canada.

(expressed in Canadian dollar thousands except share and per share amounts)

6 Long-term debt

	March 31, 2010 $	December 31, 2009 $
Revolving Term Loan, due October 25, 2011 bearing interest at HSBC Prime Rate plus 1.65% (i)	16,000	20,000
Fixed Rate Term Loan, due September 30, 2012 bearing interest at 5.11% per annum (ii)	2,857	2,882
Obligations under capital lease	425	463
	19,282	23,345
Less: Current portion	(272)	(271)
	19,010	23,074

(i) HSBC Bank Canada ("HSBC") provides the Company with a 365 day fully committed, extendible Revolving Term Loan (the "HSBC Facility") in the amount of $20,000. The HSBC Facility's maturity date is October 25, 2010, however the facility may be extended for an additional 365 days prior to the maturity of the facility at the request of the Company and upon approval by HSBC. If the HSBC Facility is not extended by HSBC, repayment of the outstanding amount is not due until October 25, 2011. The HSBC Facility bears interest at HSBC's Prime Rate plus 1.65% (3.90% at March 31, 2010). The HSBC Facility is secured by all of the present and future assets of the subsidiaries of AutoCanada Inc, the various Limited Partnerships and the General Partners of each dealership within the Company. As part of a priority agreement signed by HSBC, GMAC Canada and the Company, the collateral for the HSBC Facility excludes all new, used and demonstrator inventory financed with the Revolving Floorplan Facility provided by GMAC Canada.

(ii) Bank of Montreal provides the Company a Fixed Rate Term Loan (the "Term Loan"). The Term Loan matures September 30, 2012 and bears interest at a fixed rate of 5.11%. Repayments consist of fixed monthly payments totaling $20 per month. The Term Loan requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first fixed charge in the amount of $3,450 registered over the Cambridge Hyundai property. At March 31, 2010, the carrying amount of the Cambridge Hyundai property was $3,940.

Principal payments as at December 31, 2009 for the next four years are as follows:

	$
2010	272
2011	16,260
2012	2,729
2013	21
	19,282

(expressed in Canadian dollar thousands except share and per share amounts)

7 Related party transactions and balances

The following summarizes the Company's related party transactions not disclosed elsewhere:

	Three Months Ended March 31, 2010 $	Three Months Ended March 31, 2009 $
Management fees and non-competition fees received from companies with common directors	60	178
Rent paid to companies with common directors	2,033	1,933
Consulting fees paid to company controlled by a trustee	-	19
Leasehold inducements paid to a company with common directors	427	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8 Seasonal nature of the business

The Company's results from operations for the period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The results from operations of the Company have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the number of business days during the period. As a result, our financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may also cause substantial fluctuations in operating results from quarter to quarter.

9 Subsequent events

On April 12, 2010 the Company completed the purchase of the assets of a dealership formerly known as Future Hyundai, located in Mississauga, Ontario, to be continued under the name 401/Dixie Hyundai. The Company is in the process of finalizing its measurement and valuation of the net assets acquired, including the identification of goodwill and intangible assets and thus the allocation of the purchase price is subject to the completion of this process.