AutoCanada Inc.

Interim Consolidated Financial Statements
(Unaudited)

June 30, 2010

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

AutoCanada Inc.

Interim Consolidated Balance Sheet

(expressed in Canadian dollar thousands)

	June 30, 2010 (Unaudited)	December 31, 2009
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	31,880	22,465
Accounts receivable	46,826	35,388
Inventories (note 5)	177,524	108,324
Prepaid expenses	3,037	1,649
Future income taxes	-	500
	259,267	168,326
Property & equipment	18,070	17,794
Intangible assets (note 4)	45,059	43,700
Goodwill (note 4)	221	-
Future income taxes	-	1,647
Leasehold inducements (note 8)	2,996	2,142
Other assets	56	56
	325,669	233,665
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	25,965	25,556
Revolving floorplan facilities (note 6)	194,388	102,650
Income taxes payable	1,533	-
Current portion of long-term debt (note 7)	263	271
Future income taxes	-	2,012
	222,149	130,489
Long-term debt (note 7)	18,942	23,074
Future income taxes	191	-
	241,282	153,563
Economic dependence (note 2)		
SHAREHOLDERS' EQUITY		
Share capital	190,435	190,435
Contributed surplus	3,918	3,918
Deficit	(109,966)	(114,251)
	84,387	80,102
	325,669	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 June 30, 2010 (unaudited)	*Three Months ended June 30, 2009 (unaudited)*	*Six Months ended June 30, 2010 (unaudited)*	*Six Months ended June 30, 2009 (unaudited)*
	$	**$**	**$**	**$**
Revenue				
Vehicles	215,064	174,549	389,188	320,495
Parts, service and collision repair	28,747	27,323	55,802	53,718
Other	490	398	851	856
	244,301	202,270	445,841	375,069
Cost of sales (note 5)	202,454	164,445	369,277	306,063
Gross profit	41,847	37,825	76,564	69,006
Expenses				
Selling, general and administrative	33,273	30,450	63,107	58,263
Interest	2,640	1,656	4,663	3,001
Amortization	950	902	1,855	1,774
	36,863	33,008	69,625	63,038
Earnings before income taxes	4,984	4,817	6,939	5,968
Income taxes	1,337	67	1,859	164
Net earnings & comprehensive income for the period	3,647	4,750	5,080	5,804
Deficit, beginning of period	(112,818)	(125,775)	(114,251)	(124,344)
Dividends declared	(795)	-	(795)	(2,485)
Deficit, end of period	(109,966)	(121,025)	(109,966)	(121,025)
Earnings per share				
Basic	0.183	0.239	0.256	0.292
Diluted	0.183	0.239	0.256	0.292
Weighted average shares				
Basic	19,880,930	19,880,930	19,880,930	19,880,930
Diluted	19,880,930	19,880,930	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 June 30, 2010 (unaudited)	*Three Months Ended June 30, 2009 (unaudited)*	*Six Months ended June 30, 2010 (unaudited)*	*Six Months ended June 30, 2009 (unaudited)*
Cash provided by (used in)	**$**	**$**	**$**	**$**
Operating activities				
Net earnings for the period	3,647	4,750	5,080	5,804
Items not affecting cash				
Future income taxes	1,351	67	326	164
Unit based compensation	-	22	-	61
Amortization	950	902	1,855	1,774
(Gain) loss on disposal of property & equipment	-	(18)	(2)	(9)
	5,948	5,723	7,259	7,794
Net change in non-cash working capital balances	8,321	(3,112)	13,128	(8,397)
	14,269	2,611	20,387	(603)
Investing activities				
Business acquisitions (note 4)	(3,550)	-	(3,550)	-
Payments of leasehold inducements	(427)	-	(854)	-
Purchase of property & equipment	(1,156)	(2,175)	(1,697)	(3,240)
Proceeds on sale of property & equipment	1	11	64	55
Restricted cash	-	2,531	-	2,313
	(5,132)	367	(6,037)	(872)
Financing activities				
Proceeds from long term debt	-	-	-	286
Repayment of long term debt	(77)	(658)	(4,140)	(1,076)
Dividends paid	(795)	-	(795)	(2,485)
	(872)	(658)	(4,935)	(3,275)
Increase (decrease) in cash	8,265	2,320	9,415	(4,750)
Cash and cash equivalents, beginning of period	23,615	12,522	22,465	19,592
Cash and cash equivalents, end of period	31,880	14,842	31,880	14,842
Supplementary information				
Cash interest paid	2,685	1,306	4,542	2,792
Transfer of inventory to property & equipment	395	189	502	366
Transfer of property & equipment to inventory	333	168	410	420

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.

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

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 the Company's 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-three franchised automobile dealerships, representing the product lines of seven global automobile manufacturers. The Company's Chrysler, Jeep, Dodge ("CJD") dealerships, which generated 72% of the Company's revenue in the six month period ended June 30, 2010 (2009 – 72%), 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 June 30, 2010 and December 31, 2009, the Company had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

	June 30, 2010 (unaudited)	***December 31, 2009***
	$	**$**
Accounts receivable	2,999	3,196
New vehicle inventory	96,743	51,743
Demonstrator vehicle inventory	5,309	3,574
Parts and accessories inventory	4,499	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 June 30, 2010 and December 31, 2009, the Company had recorded the following assets that relate to transactions it has entered into with GMAC Canada:

	June 30, 2010 (unaudited)	***December 31, 2009***
	$	**$**
Cash and cash equivalents	20,000	9,580
Revolving floorplan facility	194,388	102,650

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

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

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.

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.

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

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 applied the new standard to the acquisition of Future Hyundai as described in Note 4 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 a material impact on our financial position or results of operations.

4 Business acquisitions

On April 12, 2010, the Company purchased substantially all of the net operating and fixed assets of 1192038 Ontario Inc. operating as Future Hyundai ("401 Dixie Hyundai") for total cash consideration of $3,550. The acquisition was funded by drawing on the Company's Revolving Floorplan Facility (note 6) in the amount of $1,312 and the remaining $2,238 was financed with cash from operations. The acquisition has been accounted for using the acquisition method and the consolidated financial statements include operating results of 401 Dixie Hyundai subsequent to April 12, 2010.

The purchase of this business complements the Company's other Hyundai dealerships across Canada and is expected to contribute to the Company's reputation as providing excellent service in the communities within which it operates.

The revenues of 401 Dixie Hyundai since the date of acquisition that are included in the consolidated statement of comprehensive income for the reporting period is $4,898.

The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

	$
Current assets	1,648
Property and equipment	400
Intangible assets	1,359
Current liabilities	(78)
Net identifiable assets acquired	3,329
Goodwill	221
Total consideration	3,550

All tangible and intangible assets were recognized at their respective fair values. The residual excess of the total cost over the fair value of the net assets acquired is recognized as goodwill in the financial statements. Goodwill represents the premium paid in anticipation of future economic benefits from assets that are not capable of being separately identified and separately recognized. The total amount of goodwill that is expected to be deductible for tax purposes is $221.

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

5 Inventories

	June 30, 2010 (unaudited) $	December 31, 2009 $
New vehicles	140,172	73,264
Demonstrator vehicles	8,173	5,816
Used vehicles	21,910	22,197
Parts and accessories	7,269	7,047
	177,524	108,324

During the three months ended June 30, 2010, $202,454 of inventory (2009 - $164,445) was expensed as cost of goods sold which included inventory write downs on used vehicles of $167 (2009 - $83). During the three months ended June 30, 2010, $555 of demonstrator expense (2009 - $375) was included in selling, general, and administration expense.

During the six months ended June 30, 2010, $369,277 of inventory (2009 - $306,063) was expensed as cost of goods sold which included inventory write downs on used vehicles of $269 (2009 - $103). During the six months ended June 30, 2010, $884 of demonstrator expense (2009 - $767) was included in selling, general, and administration expense.

As at June 30, 2010 and December 31, 2009, the Company had recorded reserves for inventory write downs of $1,858 and $1,512 respectively.

6 Revolving floorplan facilities

	June 30, 2010 (unaudited) $	December 31, 2009 $
New vehicles	173,284	88,219
Demonstrator vehicles	5,546	4,034
Used vehicles	15,558	10,397
	194,388	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 0.20% (4.20% at June 30, 2010) and is payable monthly in arrears. Prime Rate is defined as the greater of the Royal Bank of Canada (“RBC”) prime rate (2.50% at June 30, 2010) or 4.00%.

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

7 Long-term debt

	June 30, 2010 (unaudited) $	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)	2,833	2,882
Obligations under capital lease	372	463
	19,205	23,345
Less: Current portion	(263)	(271)
	18,942	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% (4.15% at June 30, 2010). Subsequent to the period ended June 30, 2010, the Company signed an amendment to the above agreement as described in Note 11.

(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 June 30, 2010, the carrying amount of the Cambridge Hyundai property was $3,913.

Principal payments as at June 30, 2010 for the next four years are as follows:

	$
2010	263
2011	16,247
2012	2,681
2013	14
	19,205

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

8 Related party transactions and balances

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

	Three Months Ended June 30, 2010 (unaudited) $	**Six Months Ended June 30, 2010 (unaudited) $**
Management fees and non-competition fees received from companies with common directors	70	130
Rent paid to companies with common directors	2,033	4,066
Leasehold inducements paid to a company with common directors	427	854

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.

9 Commitments

On May 20, 2010, the Company signed an agreement for exclusive partnership rights in the AIR MILES Promotional Partnership Program ("the Program"). The Program grants AutoCanada's dealerships with exclusive rights to issue AIR MILES reward miles to customers in conjunction with the sale of new or used vehicles and accessories to our customers. As part of the program, AutoCanada has committed to purchase a minimum of $2 million in AIR MILES reward miles over the first 12 months of the program in exchange for certain sole-exclusivities for the term of the program.

10 Seasonal nature of the business

The Company's results from operations for the period ended June 30, 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.

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

11 Subsequent events

On July 26, 2010, the Company signed an agreement with HSBC Bank Canada ("HSBC") to increase the availability of the Revolving Term Loan (note 7) from $20,000 to $30,000. The repayment terms and security of the Revolving Term Loan remain consistent with the exception of the interest rate which was reduced to HSBC Prime Rate plus 1.25% (3.75% at June 30, 2010).

On July 26, 2010, the Company signed an agreement with HSBC whereby a subsidiary of the Company will be provided with a Term Loan in the amount of $3,510. The financing has been obtained to purchase the dealership facilities at our Doner Infiniti Nissan location in Newmarket, Ontario. The Term Loan is a 365 day fully committed, extendible loan. The maturity date for the Term Loan is June 30, 2011, however the Term Loan may be extended for an additional 365 days prior to the maturity of the Term Loan at the request of AutoCanada and upon approval of HSBC. If the Term Loan is not extended by HSBC, repayment of the outstanding amount is not due until June 30, 2012. The Term Loan will bear interest at HSBC's Prime Rate plus 1.75% (4.25% at June 30, 2010) and requires monthly principal repayments of $15. The Term Loan principal balance is amortized over 20 years. The Term Loan requires maintenance of certain financial covenants and is collateralized by a first fixed charge in the amount of $3,510 registered over the Doner Infiniti Nissan property.