Cliffside Capital Ltd.
Management Discussion and Analysis

For the three and nine months ended September 30, 2023 and 2022

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CLIFFSIDE CAPITAL LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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 November 28, 2023, should be read in conjunction with the Company's unaudited consolidated financial statements and notes thereto for the periods ended September 30, 2023 and 2022, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). 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 current economic environment of higher inflation and higher benchmark interest rates 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 (losses) 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 (September 2023 over September 2022)

- Gross finance receivables declined by 30.5% to $134.7 million
- Net financial revenue before credit losses, excluding mark to market gain (loss) on derivative financial instrument declined by 7.0% to $6.7 million
- Provision for credit losses declined by 31.0% to $5.7 million
- General and administrative expenses declined by 77.3% to $0.4 million

The acquisition of finance receivables slowed in the fourth quarter of 2022 and subsequently paused in 2023 as the Company continued to assess macroeconomic conditions and undergo a strategic review by a special committee (the "Independent Committee"). The pause in acquisitions resulted in a 30.5% decline in gross finance receivables to $134.7 million and a corresponding 32.3% decline in the securitization and subordinated debt to $121.7 million compared to the same period in the prior year.

Net financial revenue before credit losses, excluding mark-to-market gain (loss) on derivative financial instruments, decreased by 7.0% to $6.7 million when compared to the same period in the prior year; however, as a percentage of average gross finance receivables, it increased by 9 basis points when compared to the same period in the prior year. Despite an increase in gross yield by 48 basis points to an average of 16.5% for the nine months ending September 2023, a result of passing along the heightened funding costs to new acquisitions in the latter half of 2022, net interest and other income declined by 4.4% to $13.7 million as expected due to the natural rundown of the portfolio. Similarly, despite a 42 basis points increase in the weighted average cost of funds to 6.0% for the nine months ending September 2023, a result of higher cost of funds on new securitization debt acquired during the second half of 2022 due to consistent increases in the Government of Canada bond yields, interest expense remained stable at $7 million due to the natural rundown of securitization and subordinated debt.

Provision for credit losses declined by $2.5 million or 31% compared to the same period prior year. Under IFRS 9, an allowance for expected credit losses (“ECL”) over the next twelve-months is required to be set up immediately on acquisition of new finance receivables (classified as stage 1) for which there is no significant increase in underlying credit risk. Of this decline in provision for credit losses, $1.6 million relates to a decline in provision for stage 1 finance receivables as at September 30, 2023, when compared to the same period in the prior year. This is directly attributable to the decline in stage 1 finance receivables during this period, which was anticipated as a result of the pause in acquisition of new finance receivables in 2023.

The remaining $0.9 million decline in provision for credit losses related to finance receivables classified in stages 2 and 3 and was primarily due to the aging of existing receivables. Fewer receivables were added in the fourth quarter of 2022, and none in 2023. Based on historical experience, finance receivables that remain on the books for an extended period of time tend to perform well, with a lower risk of default, thus requiring a reduced provision for credit losses. Nevertheless, management continues to monitor the direct impact of current macroeconomic conditions on the provision for credit losses. The non-prime automobile finance sector historically experiences cyclical fluctuations tied to the broader economy and uncertainties about future economic conditions. Economic downturns typically lead to higher rates of delinquencies, defaults, repossessions, and losses. These periods also coincide with reduced consumer demand for vehicles, causing a decline in automobile values used as collateral for loans, which, in turn, increases potential losses in case of default.

One-time financing costs, included in general and administrative expenses, relating to securing new funding facilities for CAR LP I in Q3 2021, were fully amortized as at June 30, 2022 resulting in $1.5 million decline in other expenses when compared to the same period in the prior year.

Quarter over Quarter (September 2023 over June 2023)

The bridge analysis below highlights the key drivers of change in net income between the three months ended June 30, 2023 and September 30, 2023.

Net income before taxes for the three months ended June 30, 2023	**130,920**
Net interest and other income	(523,580)
Mark-to-market loss on derivative financial instruments	(571,074)
Interest expense	243,840
Provision for credit losses*	830,546
Operating expenses	(123,642)
Net loss before taxes for the three months ended September 30, 2023	**(12,990)**

** Individual credit loss stages are representative of the net movement in the balance sheet amounts between September and June 2023.*

The Company paused acquisition of new finance receivables in 2023, as it continued to assess macroeconomic conditions and undergo its strategic review by the Independent Committee. Due to the natural rundown of the portfolio, gross finance receivables declined by 11.4% or $17.2 million to $134.7 million when compared to the prior quarter. This decline had a corresponding impact on net interest and other income which declined by 11.4% or $0.5 million when compared to the three months ended June 30, 2023; however, it remained flat as a percentage of average gross receivables for the comparative periods. Similarly, the securitization and subordinated debts declined by 12.9% or $18.0 million to $121.7 million when compared to the prior quarter, while remaining almost flat as a percentage of average gross receivables between the comparative periods. This had a corresponding impact on interest expense which declined by 10.5% or $0.2 million when compared to the three months ended June 30, 2023.

The mark-to-market loss on derivative financial instrument of $0.4 million represents unrealized loss on an interest rate swap contract (floating rate for fixed rate). The $0.6 million decrease from the prior quarter is primarily driven by a decrease in the swap's notional value, consistent with a corresponding decrease in its securitization debt and a decline in swap rates which takes into consideration the market's long term CDOR expectations.

Despite an elevated delinquency and default rates influenced by the prevailing economic conditions marked by a heightened inflation and benchmark interest rates, the provision for credit losses declined 38.4% to $1.3 million when compared to the prior quarter, largely due to the rundown of the portfolio and continued aging of the existing receivables leading to an expectation of better performance, with a lower risk of default. Management closely monitors the shape and timing of the credit loss curve.

Subsequent to the quarter end, on October 27, 2023, CAR LP I transferred all of its retail sales/loan contracts, including other related assets and liabilities, at book value to CAL LP. On the same day, these retail sales/loan contracts were securitized by CAL LP with its funding partner. In exchange for this transfer, CAL LP paid a cash consideration of $49.5 million and issued limited partnership units for the remaining amount to CAR LP I. All future economics arising from the transferred retail sales/loan contracts will flow back to CAR LP I. Additionally, CAR LP I settled its interest rate swap contract in exchange for cash. These proceeds together were used to repay CAR LP I's securitization and subordinated debts along with the accrued interest in full.

Dividends

The Company announced on February 7, 2023 that it had temporarily suspended the payment of quarterly dividends to its shareholders. This decision was made by the Board in light of the strategic review being conducted by the Independent Committee, comprised of independent members of the Board of Directors of the Company, and given the current uncertain macroeconomic environment. Prior to the suspension, the Company had declared and paid five successive quarterly cash dividends on the outstanding common shares of $0.0025 per common share ($0.01 on an annualized basis).

Business Outlook

On December 6, 2022 the Company announced the formation of the Independent Committee to explore and evaluate potential strategic alternatives that may be available to the Company with a goal of maximizing the value for Cliffside shareholders and other stakeholders of the Company. Following the formation of the Independent Committee, the Company paused acquisition of new finance receivables in 2023. The Independent Committee, with the assistance of outside financial and legal advisors, specifically Raymond James Ltd. and Gardiner Roberts LLP, has now fully explored the sale of the Company, its business and/or the three partnerships which it owns as potential strategic alternatives available to the Company with a goal of maximizing the value for Cliffside shareholders and other stakeholders of the Company (collectively, the "Potential Strategic Transactions"). At this time, no third party contacted has expressed an interest in entering into a Potential Strategic Transaction. The Independent Committee is continuing to explore other strategic alternatives for the Company.

No decisions relating to any specific Potential Strategic Transaction have been made and there are no assurances that any Potential Strategic Transaction, or transactions, will result from the formation of the Independent Committee and the strategic review process, generally.

While the Company has paused acquisition of new finance receivables in 2023, it has $83.0 million of funding available for utilization by the Partnerships as at September 30, 2023. Following the close of the quarter, CAL LP utilized a substantial portion of this available funding to acquire loan contracts from CAR LP I. Subsequent to this acquisition, the funding facility was not extended or renewed beyond October 31, 2023.

Financial Highlights

Select Operating Results

	For the three months ended		For the nine months ended	
	Sep 30, 2023	**Sep 30, 2022**	**Sep 30, 2023**	**Sep 30, 2022**
	$	**$**	**$**	**$**
Net interest income	3,890,758	5,001,885	13,172,206	13,951,846
Other Income				
Other income	159,219	153,677	532,389	382,701
Mark to market gains (loss) on derivative financial instruments	(361,862)	409,576	(815,475)	2,610,996
Total income	3,688,115	5,565,138	12,889,120	16,945,543
Interest expense	2,068,941	2,645,226	6,965,952	7,086,774
Net financial revenue before credit losses	1,619,174	2,919,912	5,923,168	9,858,769
Provision for credit losses	1,330,855	3,888,027	5,658,189	8,195,366
Management fees	39,824	38,052	116,657	115,723
Stock-based compensation	91,515	91,515	91,515	91,515
Other expenses	169,970	226,876	429,923	1,896,802
Total expenses	1,632,164	4,244,470	6,296,284	10,299,406
Net loss before taxes	(12,990)	(1,324,558)	(373,116)	(440,637)
Deferred income taxes	(7,715)	(308,644)	(101,663)	(199,112)
Net loss after taxes	(5,275)	(1,015,914)	(271,453)	(241,525)
Non-controlling interest	46,142	(125,017)	52,449	205,836
Net (loss) income attributable to shareholders	**(51,417)**	**(890,897)**	**(323,902)**	**(447,361)**
Basic and diluted earnings or loss per share	0.00	(0.01)	0.00	0.00

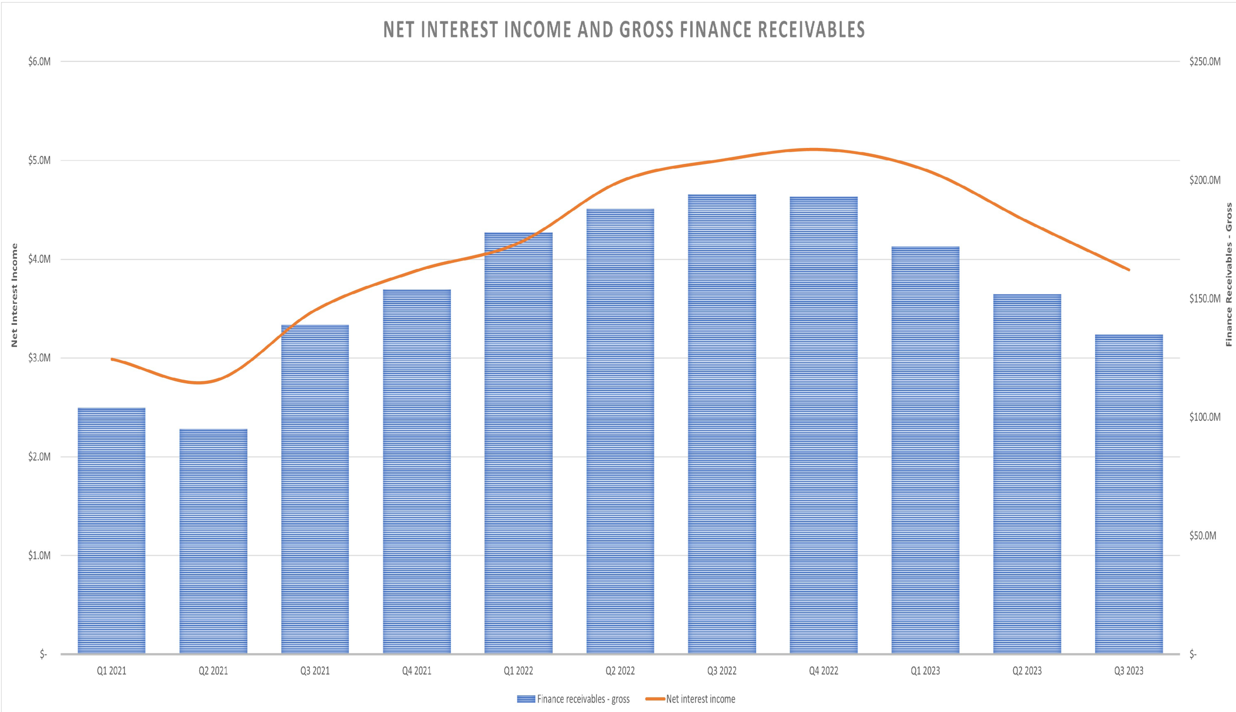
Non-IFRS Measures Results	For the three months ended		For the nine months ended	
	Sep 30, 2023	**Sep 30, 2022**	**Sep 30, 2023**	**Sep 30, 2022**
Adjusted net income (1)	(364,327)	(958,973)	(1,394,178)	355,105
Gross yield (1)	16.29%	15.90%	16.49%	16.01%
Delinquencies (1)	5.38%	5.10%	5.38%	5.10%

(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 and nine months ended September 30, 2023, the Company recorded interest income of $5,364,807 and $18,320,632 respectively, offset by amortization of capitalized costs of $1,474,049 and $5,148,426, respectively. For the three and nine months ended September 30, 2022, the Company recorded interest income of $7,042,179 and $19,705,732 respectively, offset by amortization of capitalized costs of $2,040,294 and $5,753,886, respectively.

Other income represents ancillary fees earned on the finance receivables.

The chart below 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 and nine months ended September 30, 2023 was $2,068,941 and $6,965,952 respectively, compared to $2,645,226 and $7,086,774, for the same periods in the previous year. The weighted average interest rate on the securitization debt was 5.4% as at September 30, 2023, compared to 5.0% as at September 30, 2022.

Net financial revenue before credit losses was $1,619,174 and $5,923,168 for the three and nine months ended September 30, 2023, respectively. For the three and nine months ended September 30, 2022, net financial revenue before credit losses was $2,919,912 and $9,858,769, respectively.

The provision for credit losses for the three and nine months ended September 30, 2023, was $1,330,855 and $5,658,189 respectively, compared to $3,888,027 and $8,195,366 for the same periods in the previous year.

For the three and nine months ended September 30, 2023, the Company incurred management fees of $39,824 and $116,657 respectively, compared to $38,052 and $115,723 for the same periods in the previous year, pursuant to a management agreement with LC Asset Management Corporation (refer to Related Party Transactions section).

Other expenses amounted to $169,970 and $429,923 for the three and nine months ended September 30, 2023, respectively. For the three months ended September 30, 2023, other expenses consisted of professional fees of $108,745 and general and administrative expenses of $61,225. For the nine months ended September 30, 2023, other expenses consisted of professional fees of $246,581 and general and administrative expenses of $183,342.

Other expenses amounted to $226,876 and $1,896,802 for the three and nine months ended September 30, 2022, respectively. For the three months ended September 30, 2022, other expenses consisted of professional fees of $91,349 and general and administrative expenses of $135,527. For the nine months ended September 30, 2022, other expenses consisted of professional fees of $386,691 and general and administrative expenses of $1,510,111.

Included within general and administrative expenses were $1,213,668 of amortized one-time financing costs that were paid in the third quarter of 2021 by CAR LP I.

For the three and nine months ended September 30, 2023, the Company reported net loss attributable to shareholders of $51,417 and $323,902 compared to a net loss of $890,897 and $447,361 for the same periods in the previous year.

For the three and nine months ended September 30, 2023, the Company reported a net income attributable to non-controlling interest of $46,142 and $52,449 respectively, compared to a net loss of $125,017 for the three months ended September 30, 2022 and a net income of $205,836 for the nine months ended September 30, 2022.

Select Statement of Financial Position

As at	**Sep 30, 2023**	**Dec 31, 2022**	**Dec 31, 2021**
	$	**$**	**$**
Cash	8,709,262	10,675,684	12,426,169
Finance receivables - net	128,669,513	184,956,435	149,783,991
Derivative financial instrument	1,276,668	2,884,221	305,137
Other assets	1,641,690	1,303,521	1,769,946
Total assets	**140,297,133**	**199,819,861**	**164,285,243**
Securitization debt	104,046,412	162,804,653	126,970,398
Subordinated debt	17,700,585	18,054,207	14,968,599
Deferred purchase price payable	6,704,624	7,645,949	5,939,827
Other liabilities	1,791,170	660,712	1,110,988
Total liabilities	130,242,791	189,165,521	148,989,812
Equity attributable to shareholders	8,007,137	8,239,524	11,058,323
Non-controlling interest	2,047,205	2,414,816	4,237,108
Total liabilities and equity	**140,297,133**	**199,819,861**	**164,285,243**

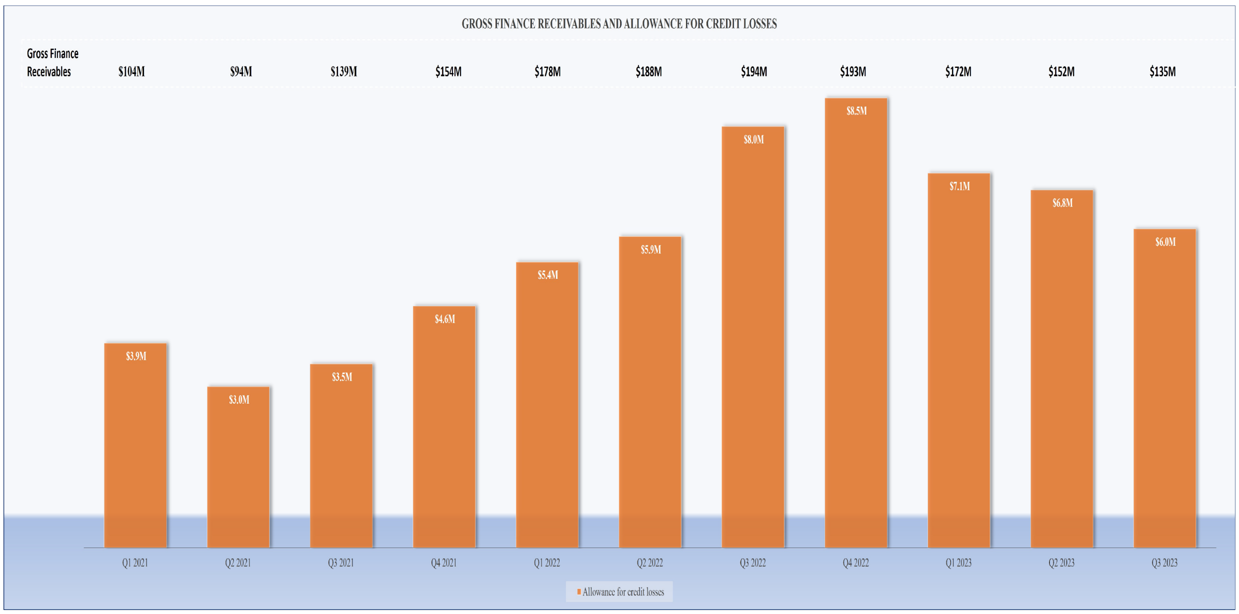
As at	**Sep 30, 2023**	**Dec 31, 2022**	**Dec 31, 2021**
Finance receivables - net	128,669,513	184,956,435	149,783,991
Stage 1 allowance for credit losses	2,500,324	3,471,899	2,463,478
Stage 2 & 3 allowance for credit losses	3,517,424	5,020,516	2,098,786

The Company had a cash balance of $794,241 at September 30, 2023 and the Partnerships held cash balances of $7,915,021 for a consolidated total of $8,709,262. At December 31, 2022, the Company had a cash balance of $405,116 and the Partnerships held cash balances of $10,270,568 for a consolidated total of $10,675,684. 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 during the first half of the following month, and therefore, hold large cash balances at the end of each month.

Finance receivables consist of retail sales/loan contracts which have initial terms of 24 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 $128,669,513 for finance receivables, net as at September 30, 2023 represents the outstanding principal balance and accrued interest and fees owing from customers of $128,429,604, including associated capitalized transaction costs of $8,570,824, net of unearned administration fees of $2,313,167, and net of estimated allowance for credit losses of $6,017,748. In the current economic environment of higher inflation and higher 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 $184,956,435 for finance receivables, net at December 31, 2022 represents the outstanding principal balance and accrued fees owing from customers of $183,451,858, including associated transaction costs of $13,535,803, net of unearned administration fees of $3,538,811 and net of estimated allowance for credit losses of $8,492,415.

The allowance for credit losses represents 4.47% of the gross finance receivables outstanding at September 30, 2023, compared to 4.39% at December 31, 2022.

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 September 30, 2023 primarily included amounts due from related parties in the normal course of operations of $702,327, which are typically settled subsequent to the period end (refer to Related Party Transactions section). Other assets at December 31, 2022 primarily included amounts due from related parties of $550,880, which were settled subsequently.

Outstanding securitization debt as at September 30, 2023 was $104,046,412, net of a cash holdback held in trust by the funders of $4,811,423. Outstanding securitization debt as at December 31, 2022 was $162,804,653, net of a cash holdback held in trust by the funders of $10,296,876. Outstanding subordinated debt was $17,700,585 at September 30, 2023, compared to $18,054,207 at December 31, 2022. 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 period.

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 September 30, 2023, the deferred purchase price payable to CCMI amounted to $6,704,624, of which $2,230,875 is estimated to be due within one year. As at December 31, 2022, the deferred purchase price payable to CCMI amounted to $7,645,949 of which $2,689,516 was estimated to be due within one year.

Other liabilities as at September 30, 2023 and December 31, 2022 consisted primarily of trade payables and accruals.

Equity attributable to shareholders reduced to $8,007,137 at September 30, 2023 from $8,239,524 at December 31, 2022, primarily due to net loss attributable to shareholders, as reported by the Company for the nine months ended September 30, 2023 of $323,902.

Equity attributable to shareholders reduced to $8,239,524 at December 31, 2022 from $11,058,323 at December 31, 2021, primarily due to a net loss of $1,508,347 attributable to shareholders for the year ended December 31, 2022. The equity balance was further impacted by $729,500 of dividends paid to the shareholders and $672,467 paid for repurchase of Non-controlling entities' interest by CAR LP I.

Non-controlling interest reduced to $2,047,205 at September 30, 2023 from $2,414,816 at December 31, 2022, primarily due to distributions of $420,060 paid to the owners of Non-controlling interest.

Non-controlling interest reduced to $2,414,816 at December 31, 2022 from $4,237,108 at December 31, 2021, primarily due to the repurchase of Non-controlling entities' interest by CAR LP I for $1,202,533. This was further impacted by distributions of $637,703 paid to the owners of Non-controlling interest.

Select Statement of Cash Flow Summary

	For the nine months ended	
	Sep 30, 2023	**Sep 30, 2022**
	$	$
Cash provided by (used in) operating activities	57,641,710	(36,600,228)
Cash (used in) provided by financing activities	(59,608,132)	34,783,774
Decrease in cash during the period	**(1,966,422)**	**(1,816,454)**

The cash provided by operating activities for the nine months ended September 30, 2023, was primary from the collection proceeds received on the finance receivables. For the nine months ended September 30, 2022, the cash used by operating activities was primarily due to the acquisition of finance receivables and transaction costs of $96,250,402, offset by cash flows generated from collections proceeds of $46,556,923.

The cash used by financing activities for the nine months ended September 30, 2023, was primarily due to the repayment of the securitization and subordinated debts of $64,319,903 and $353,622, respectively which were offset by cash holdback releases. For the nine months ended September 30, 2022, the cash provided by financing activities primarily consisted of gross proceeds from securitization and subordinated debts of $90,918,357 and $7,942,825, respectively which were offset by the repayment of the debts.

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 (losses) on derivative 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 charges on motor vehicles financed. As such, key performance indicators for the assets in the Partnerships are reported below:

	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Gross yield	16.29%	16.58%	16.66%	16.13%	15.90%	16.31%	16.03%	15.96%
Delinquency rate	5.38%	5.69%	5.52%	5.45%	5.10%	3.63%	3.76%	3.76%

Non-IFRS Measures Reconciliation	For the three months ended		For the nine months ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
Net (loss) income before taxes	(12,990)	(1,324,558)	(373,116)	(440,637)
Change in Stage 1 provision for credit losses	(351,337)	365,585	(1,021,062)	795,742
Adjusted net (loss) income before taxes	(364,327)	(958,973)	(1,394,178)	355,105

The Company's portfolio of retail sales/loan contracts, during the past eight quarters, have produced gross yields that are consistent with the quality of portfolio contributing favourably to its net earnings. The Company's gross yields are also reflective of its portfolio distribution across tiers.

Management expects the delinquency rate to be in the range of 4.5% to 6.0%. The delinquency rate for the current quarter has decreased slightly compared to the previous quarter but is still on the higher side of the expected range. The higher delinquency results, in part, from the current economic environment of higher inflation and higher benchmark interest rates. In this economic environment, it is expected that delinquency will remain elevated for some more quarters as we expect these uncertainties to settle down by mid next year, following an expected stabilization of the benchmark interest rates. 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.

Global Macroeconomic Challenges

Recent and ongoing macroeconomic global events, including global supply chain delays, the war in Ukraine, the ongoing conflict in the middle east, higher global inflation as well as the expectation of a continued inflationary environment coupled with higher interest rates have resulted in alternative and non-bank financial companies, such as Cliffside, to face a challenging environment to raise equity capital for growth. While Cliffside maintains access to adequate funding sources, management believes that these recent macroeconomic challenges could have an adverse effect on the Company's ability to raise new equity capital to fund future growth. Accordingly, continuation of the previous pattern of strong growth experienced by the Company might be difficult to achieve. Management and the Board of Directors are actively monitoring and considering available options to adjust to the current environment and will continue to explore all possibilities available to the Company. Additional macroeconomic risks and uncertainties that could have a negative impact on the Company and its business include, but are not limited to, significant disruptions and volatility in financial markets; trade sanctions; an elevated level of slowing of the global economy, including negative economic impacts associated with such slowdown or any policy actions; other geopolitical tensions and conflicts; protracted or widespread trade tensions; financial market, other economic and political disruption driven by anti-establishment movements; natural disasters; the pandemic; and election outcomes.

Liquidity and Capital Resources

The Partnerships have $7.9 million in cash as of September 30, 2023. This cash is used to service principal and interest on the securitization and subordinated debts. 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 had an availability of $83.0 million as at September 30, 2023. However, following the close of the quarter, CAL LP utilized a substantial portion of this available funding to acquire loan contracts from CAR LP I. Subsequent to this acquisition, the funding facility was not extended or renewed beyond October 31, 2023.

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 $0.7 million of cash on hand at September 30, 2023.

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, 2021	97,266,667	12,044,486
Ending balance, September 30, 2022	97,266,667	12,044,486
Ending balance, December 31, 2022	97,266,667	12,044,486
Ending balance, September 30, 2023	**97,266,667**	**12,044,486**

The basic and diluted weighted average shares outstanding for the three and nine months ended September 30, 2023 were 97,266,667, respectively. The diluted weighted average shares outstanding for the nine months ended September 30, 2023 excluded the effect of stock options and warrants issued and outstanding as they were considered antidilutive. The basic and diluted weighted average shares outstanding for the three and nine months ended September 30, 2022 were 97,266,667, respectively.

Incentive Stock Options and Warrants

Issued and outstanding stock options as at September 30, 2023 were 5,850,000. 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 637,500 vested during each of the quarters ended September 30, 2022, and September 30, 2023. The fair value of options was recorded in earnings during the respective quarters as stock-based compensation expense. The remaining 637,500 stock options will vest on September 30, 2024. The stock options expire five years from the grant date. On June 21, 2023, 1,300,000 stock options granted during June 2018, were not exercised and therefore expired.

Issued and outstanding stock warrants as at September 30, 2023 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

In February 2023, the Company announced that it had temporarily suspended the payment of quarterly dividends to its shareholders. This decision was made by the Board in light of the strategic review being conducted by the Independent Committee, comprised of independent members of the Board of Directors of the Company, and given the current uncertain macroeconomic environment.

During 2022, the Company paid quarterly cash dividend of $0.0025 per common share to its Common Shareholders. These dividends were paid on February 1, May 2, August 2 and November 10, 2022.

Summary of Quarterly Results

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

	2023 ($)			**2022 ($)**				**2021 ($)**	
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Finance receivables-gross	134.69	151.97	171.70	193.45	193.85	187.97	178.36	154.35	139.18
Total Income	3.69	4.78	4.42	5.30	5.57	5.86	5.52	4.25	3.55
Total Expenses	3.70	4.65	4.91	6.89	6.89	5.74	4.75	4.56	3.71
(Loss) income before taxes	(0.01)	0.13	(0.49)	(1.59)	(1.32)	0.12	0.77	(0.31)	(0.16)
Deferred income taxes	0.00	0.01	(0.11)	(0.34)	(0.31)	(0.01)	0.12	(0.10)	0.02
Net (loss) income after taxes	**(0.01)**	**0.12**	**(0.38)**	**(1.25)**	**(1.01)**	**0.13**	**0.65**	**(0.21)**	**(0.18)**
Basic and diluted income (loss) per share	0.00	0.00	0.00	(0.01)	(0.01)	0.00	0.00	0.00	0.00

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, 2022 and December 31, 2021.

Related Party Transactions

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

	Sep 30, 2023	**Dec 31, 2022**
	$	$
Assets		
Finance receivable - gross (note a)	134,687,261	193,448,850
Other assets (note b)	702,327	550,880
Liabilities		
Accounts payable and accrued liabilities (note c)	89,780	76,961
Deferred purchase price payable (note d)	6,704,624	7,645,949

	For the three months ended		**For the nine months ended**	
	Sep 30, 2023	**Sep 30, 2022**	**Sep 30, 2023**	**Sep 30, 2022**
	$	$	$	$
Expenses				
Management fees (note e)	39,824	38,052	116,657	115,723
Stock-based compensation (note f)	91,515	91,515	91,515	91,515
General and administrative (note g)	-	-	-	546,920

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 third quarter of 2021. HEP was paid a structuring fee of $1,093,840 by CAR LP I for these services, which was amortized over a period of 12 months.

Balances and transactions the Partnerships have with these parties are as follows:

Note a) Amounts represent gross outstanding finance receivables purchased from ACC LP. For the three and nine months ended September 30, 2023, the Company did not acquire finance receivables from ACC LP (Twelve months ended December 31, 2022 - acquired $117.4 million of gross finance receivables including transaction costs).

Note b) Other assets includes amounts due from ACC LP and CCMI related to customer collections in the normal course which were settled subsequent to period end.

Note d) Amounts due to CCMI that are deferred and payable over the life of the underlying retail sales/loan contracts.

Note g) General and administrative expense of $546,920 for the nine months ended September 30, 2022 represented the amortization of the structuring fee paid to HEP during the third quarter of 2021.

Following are the balances and transactions the Company had with the Manager:

Note c) Included in the balance was $39,824 management fees payable to the Manager as of September 30, 2023 (December 31, 2022 - $76,765).

Note e) Amounts represent management fees to the Manager incurred during the three and nine months ended September 30, 2022 and September 30, 2022, respectively.

- 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.
- 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.

Note f) Stock-based compensation incurred for the three and nine months ended September 30, 2023 and September 30, 2022 had a fair value of $91,515 respectively.

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 funding facilities, 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 September 30, 2023, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Undetermined	Total
Total receivables	46,262,086	74,980,002	48,567,013	7,539,898	-	177,348,999
Derivative financial instrument	975,892	300,776	-	-	-	1,276,668
	47,237,978	75,280,778	48,567,013	7,539,898	-	178,625,667

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

	Within 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Undetermined	Total
Securitization debt[1]	40,640,130	46,912,409	19,473,134	1,336,412	-	108,362,085
Subordinated debt	-	-	-	-	17,700,585	17,700,585
Deferred purchase price payable	2,230,875	3,844,123	636,449	2,964	-	6,714,411
Accounts payable and accrued liabilities	1,791,170	-	-	-	-	1,791,170
	44,662,175	50,756,532	20,109,583	1,339,376	17,700,585	134,568,251

[1] *Securitization debt obligation within 1 year excludes $6.2 million that was settled with the securitizers subsequent to September 30, 2023 from the cash on hand with the Partnerships' as at September 30, 2023.*

The notional amount of the derivative financial instrument is $31 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. Subsequent to the quarter ended September 30, 2023, the derivative contract and the related securitization debt were fully were fully settled/repaid (refer to subsequent to quarter end development noted under the quarter over quarter results section of the Operational Highlights).

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 repayments for subordinated debt are based on the excess cash flows generated by CAR LP I and therefore, the time period for these cash flows cannot be reasonably determined. These cash flows do not consider the potential impact of lock-up trigger events which can occur when loss ratios and delinquency rates, as defined in the securitization agreements, are above certain 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. Refer to note 3 for details on past due accounts as of September 30, 2023. As repossessed vehicles are sold, the 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 the current economic environment of higher inflation and higher benchmark interest, a measurement uncertainty exists with respect to provision for credit losses, as described in note 2 under *Use of estimates and judgments*. The Company has addressed this by closely monitoring the performance of its portfolio, including delinquency ratio, payment deferrals sought and granted, and other criteria. These performance metrics, including their impact, have been leveraged to overlay an additional amount of ECL for receivables.

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. Subordinate debt is subject to fixed rates of interest and carried at amortized cost. Securitization debt is also 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. CAR LP I's interest rate swap is an agreement with counterparty to receive a floating rate of interest in return for the CAR LP I paying a fixed rate of interest, based upon a notional balance. CAR LP I enters into interest rate swap contracts to convert floating-rate debt to fixed rate debt to match the characteristics of its finance receivables. As the interest rate swap economically hedges the majority of the securitization debt, any change in the interest rates will have an insignificant impact on the profit or loss of the CAR LP I. Subsequent to the quarter ended September 30, 2023, CAR LP I's interest rate swap contracts and the related securitization debt were fully settled/repaid (refer to subsequent to quarter end development noted under the quarter over quarter results section of the Operational Highlights).

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

The following table summarizes the fair value of the Partnership's financial instruments as of September 30, 2023:

	Fair Value Level	Carrying Value (CV) ($)	Fair Value (FV) ($)	(CV) - (FV) ($)
Financial assets				
Cash	1	8,709,262	8,709,262	-
Other assets	2	862,524	862,524	-
Derivative financial instrument	2	1,276,668	1,276,668	-
Finance receivables - net	3	128,669,513	123,663,446	5,006,067
Total financial assets		139,517,967	134,511,900	5,006,067
Financial liabilities				
Accounts payable and accrued liabilities	2	1,791,170	1,791,170	-
Deferred purchase price payable	3	6,704,624	6,704,624	-
Securitization debt	3	104,046,412	99,657,446	4,388,966
Subordinated debt	3	17,700,585	15,729,237	1,971,348
Total financial liabilities		130,242,791	123,882,477	6,360,314

The following table summarizes the fair value of the Partnership's financial instruments as of December 31, 2022:

	Fair Value Level	Carrying Value (CV) ($)	Fair Value (FV) ($)	(CV) - (FV) ($)
Financial assets				
Cash	1	10,675,684	10,675,684	-
Other assets	2	626,017	626,017	-
Derivative financial instrument	2	2,884,221	2,884,221	-
Finance receivables - net	3	184,956,435	177,035,627	7,920,808
Total financial assets		199,142,357	191,221,549	7,920,808
Financial liabilities				
Accounts payable and accrued liabilities	2	660,712	660,712	-
Deferred purchase price payable	3	7,645,949	7,645,949	-
Securitization debt	3	162,804,653	158,121,620	4,683,033
Subordinated debt	3	18,054,207	16,044,045	2,010,162
Total financial liabilities		189,165,521	182,472,326	6,693,195

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 judgment about the assumptions market participants would use in pricing the instruments.

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:

- Cash, other assets, accounts payable and accrued liabilities - The carrying value of these items equals fair value due to their short-term nature i.e. these are settled within 30 days or less.
- Finance receivables, securitization debt and subordinate debt - Finance receivables, securitization debt and subordinate debt are measured at amortized cost and are subject to fixed rates of interest and have similar maturities. The fair value is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate.
- Derivative financial instrument - The instrument is measured at fair value which is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate.
- Deferred purchase price payable - The deferred purchase price payable is initially recognized by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration, estimated losses and prepayments; however, subsequently it is measured at amortized cost. The fair value on the reporting date is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration estimated losses and prepayments. As a result, the carrying value approximates the fair value.

Trading and Share Statistics

Below are details of the Company's share price for the nine months ended September 30, 2023 and the twelve months ended December 31, 2022.

For the period ended	**Sep 30, 2023**	**Dec 31, 2022**
Average monthly trading volume	12,316	88,276
Share price		
High	0.14	0.30
Low	0.08	0.08
Close	0.11	0.13
Outstanding shares at the end of the year	97,266,667	97,266,667

Cliffside Capital Ltd.
Condensed Consolidated Financial Statements
(Unaudited)

For the three and nine months ended September 30, 2023 and 2022

Notice to reader pursuant to National Instrument 51-102

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed financial statements, they must be accompanied by a notice indicating that the condensed financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements of Cliffside Capital Ltd. have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

"Praveen Gupta" (signed)	*"Stephen Malone" (signed)*
Praveen Gupta Chief Financial Officer	Stephen Malone Chief Executive Officer

Condensed Consolidated Financial Statements	**Page**

Cliffside Capital Ltd.

Condensed Consolidated Statements of Financial Position

(in Canadian dollars)

As at	Sep 30, 2023	Dec 31, 2022
	$ (unaudited)	$
Assets		
Cash	8,709,262	10,675,684
Finance receivables-net (note 3)	128,669,513	184,956,435
Deferred income taxes	779,166	677,504
Derivative financial instrument (note 4)	1,276,668	2,884,221
Other assets	862,524	626,017
Total assets	**140,297,133**	**199,819,861**
Liabilities		
Accounts payable and accrued liabilities	1,791,170	660,712
Deferred purchase price payable	6,704,624	7,645,949
Securitization debt (note 5)	104,046,412	162,804,653
Subordinated debt (note 6)	17,700,585	18,054,207
Total liabilities	130,242,791	189,165,521
Equity (note 7)		
Share capital	12,044,486	12,044,486
Contributed surplus	1,447,533	1,356,018
Cumulative deficit	(5,484,882)	(5,160,980)
Equity attributable to shareholders	8,007,137	8,239,524
Non-controlling interests (note 8)	2,047,205	2,414,816
Total equity	10,054,342	10,654,340
Total liabilities and equity	**140,297,133**	**199,819,861**

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

(in Canadian dollars)

(unaudited)	For the three months ended Sep 30, 2023	Sep 30, 2022	For the nine months ended Sep 30, 2023	Sep 30, 2022
	$	$	$	$
Income				
Net interest income	3,890,758	5,001,885	13,172,206	13,951,846
Other income				
Other income	159,219	153,677	532,389	382,701
Mark-to-market (loss) gain on derivative financial instrument	(361,862)	409,576	(815,475)	2,610,996
Total income	3,688,115	5,565,138	12,889,120	16,945,543
Financial expenses				
Interest expense	2,068,941	2,645,226	6,965,952	7,086,774
Net financial revenue before credit losses	1,619,174	2,919,912	5,923,168	9,858,769
Provision for credit losses (note 3)	1,330,855	3,888,027	5,658,189	8,195,366
Net financial income (loss)	288,319	(968,115)	264,979	1,663,403
Operating expenses				
Management fees (note 12)	39,824	38,052	116,657	115,723
Stock-based compensation	91,515	91,515	91,515	91,515
General and administrative	169,970	226,876	429,923	1,896,802
Total operating expenses	301,309	356,443	638,095	2,104,040
Net loss before income taxes	**(12,990)**	**(1,324,558)**	**(373,116)**	**(440,637)**
Deferred income taxes	(7,715)	(308,644)	(101,663)	(199,112)
Net loss and comprehensive loss	**(5,275)**	**(1,015,914)**	**(271,453)**	**(241,525)**
Net loss attributable to shareholders	(51,417)	(890,897)	(323,902)	(447,361)
Net income (loss) attributable to non-controlling interest (note 8)	46,142	(125,017)	52,449	205,836
Net loss and comprehensive loss	**(5,275)**	**(1,015,914)**	**(271,453)**	**(241,525)**
Earnings or loss per share				
Basic and diluted (note 9)	0.00	(0.01)	0.00	0.00

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

(in Canadian dollars)

(unaudited)	Share Capital	Contributed Surplus	Cumulative Deficit	Non-Controlling Interest	Total
	$	$	$	$	$
Balance, December 31, 2021	**12,044,486**	**1,264,503**	**(2,250,666)**	**4,237,108**	**15,295,431**
Dividends	-	-	(486,333)	-	(486,333)
Distribution to non-controlling entities	-	-	-	(372,578)	(372,578)
Repurchase of non-controlling entities' share	-	-	(203,717)	(1,046,283)	(1,250,000)
Premium paid on above repurchase of equity	-	-	(468,750)	(156,250)	(625,000)
Stock-based Compensation	-	91,515	-	-	91,515
Net (loss) income and comprehensive (loss) income for the period	-	-	(447,361)	205,836	(241,525)
Balance, September 30, 2022	**12,044,486**	**1,356,018**	**(3,856,827)**	**2,867,833**	**12,411,510**
Dividends	-	-	(243,167)	-	(243,167)
Distribution to non-controlling entities	-	-	-	(265,125)	(265,125)
Net loss and comprehensive loss for the period	-	-	(1,060,986)	(187,892)	(1,248,878)
Balance, December 31, 2022	**12,044,486**	**1,356,018**	**(5,160,980)**	**2,414,816**	**10,654,340**
Distribution to non-controlling entities	-	-	-	(420,060)	(420,060)
Stock-based compensation	-	91,515	-	-	91,515
Net (loss) income and comprehensive (loss) income for the period	-	-	(323,902)	52,449	(271,453)
Balance, September 30, 2023	**12,044,486**	**1,447,533**	**(5,484,882)**	**2,047,205**	**10,054,342**

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

(in Canadian dollars)

(unaudited)	For the nine months ended Sep 30, 2023	Sep 30, 2022
Cash provided by (used in)		
Operating activities	**$**	**$**
Net loss	(271,453)	(241,525)
Adjustments for non-cash items		
Deferred income taxes	(101,663)	(199,112)
Provision for credit losses	5,658,189	8,195,366
Amortization of capitalized costs	5,224,635	7,076,329
Stock-based compensation	91,515	91,515
Change in accrued interest receivable	158,555	(368,976)
Mark-to-market loss (gains) on derivative financial instrument	1,607,553	(2,610,996)
Change in working capital	884,919	(524,240)
Acquisition of finance receivables and transaction costs	-	(96,250,402)
Collections on finance receivables	45,505,199	46,556,923
Additions to deferred purchase price payable	-	3,681,572
Payment of deferred purchase price payable	(1,115,739)	(2,006,682)
Cash provided by (used in) operating activities	**57,641,710**	**(36,600,228)**
Financing activities		
Gross proceeds from securitization debt	-	90,918,357
Repayments of securitization debt	(64,319,903)	(56,128,747)
Decrease (increase) in securitization debt cash holdback, net of releases	5,485,453	(718,831)
Gross proceeds from subordinated debt	-	7,942,825
Repayments of subordinated debt	(353,622)	(4,033,151)
Transaction costs related to debt	-	(219,602)
Dividends paid	-	(729,499)
Distribution to non-controlling entities	(420,060)	(372,578)
Repurchase of non-controlling entities' share	-	(1,875,000)
Cash (used in) provided by financing activities	**(59,608,132)**	**34,783,774**
Decrease in cash for the period	**(1,966,422)**	**(1,816,454)**
Cash, beginning of the period	10,675,684	12,426,169
Cash, end of the period	**8,709,262**	**10,609,715**
Supplementary information related to operating activities		
Interest received	17,053,242	18,534,999
Interest paid	7,100,984	6,609,326

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

1. Nature of Organization

Description of the business

Cliffside Capital Ltd. (the "Company") holds investments in three limited partnerships, CAL LP, ACC LP III and CAR LP I (the "Partnerships"). The Partnerships were formed to engage in the business of investing in retail sales/loan contracts originated by CanCap Management Inc. ("CCMI"), a related party and secured by collateral charges on motor vehicles. CAL LP was formed on February 22, 2016, ACC LP III was formed on October 14, 2016 and CAR LP I was formed on April 29, 2021. The Company owns 85%, 60% and 75% of the limited partnership units in CAL LP, ACC LP III and CAR LP I respectively, and CCMI owns the rest of the partnership units in these partnerships. Refer to note 8 for details on changes in the ownership of limited partnership units in CAR LP I as of June 30, 2022.

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

Approval of condensed consolidated financial statements

The financial statements were approved by the Company's Board of Directors and authorized for issue on November 28, 2023.

2. Summary of Significant Accounting Policies

Basis of presentation

These condensed consolidated financial statements are stated in Canadian dollars, which is the functional currency of the Company and have been prepared using the historical cost convention.

The statement of financial position of the Company is presented on a non-classified basis in order of liquidity of assets and liabilities. Due to the prepayment feature related to the finance receivables, presentation based on liquidity provides information that is reliable and more relevant.

Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS), including International Accounting Standard 34, Interim Financial Reporting. Accordingly, certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with IFRS have been omitted or condensed and should be read in conjunction with the annual consolidated financial statements.

Basis of consolidation

These condensed consolidated financial statements include the accounts of the Company and the Partnerships. The financial statements of the Partnerships are prepared for the same reporting period as the Company, using consistent accounting policies. All intracompany balances, income and expenses, and distributions are eliminated in full.

Controlled entities

The condensed consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Company as at September 30, 2023 and December 31, 2022 and the results of all controlled entities for the periods ended on September 30, 2023 and September 30, 2022, respectively.

Controlled entities are all entities over which the Company has the power to direct the relevant activities generally accompanying a shareholding of more than one half of the voting rights, exposure, or rights, to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect the amount of returns. Controlled entities are fully consolidated from the date on which control is obtained by the company.

Use of estimates and judgments

The preparation of these condensed consolidated financial statements in conformity with IFRS requires management of the Company to make certain judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are used when accounting for items and matters such as consolidation of investments in limited partnerships, capitalized transaction costs, provision for credit losses, deferred purchase price payable, deferred income taxes, including recoverability of deferred tax assets, and fair value of stock options or other amounts pursuant to the Company's significant accounting policies. The Company has utilized estimates, assumptions and judgments that reflect the uncertainties presented by the current economic environment of higher inflation and higher benchmark interest rates. While management makes its best estimates and assumptions, actual results could differ from those estimates. Any changes in estimates are applied on a prospective basis.

In determining whether an entity should be consolidated, the Company makes significant judgments about whether it has control over such entity. The Company considers voting rights, contractual rights under certain arrangements, and other relevant factors in determining if the Company has the power and ability to affect returns from an entity. For more details on significant estimates and judgments used for capitalized transaction costs, provision for credit losses, deferred purchase price payable, deferred income taxes, including recoverability of deferred tax assets, and fair value of stock options, refer to the relevant notes in these consolidated financial statements.

Financial instruments

The following is a summary of classification and measurement of financial instruments outstanding at September 30, 2023 and December 31, 2022 under IFRS 9.

	Classification	**Measurement**
Cash	Assets held to collect	Amortized cost
Finance receivables - net	Assets held to collect	Amortized cost
Other assets	Assets held to collect	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Deferred purchase price payable	Other financial liabilities	Amortized cost
Securitization debt	Other financial liabilities	Amortized cost
Subordinated debt	Other financial liabilities	Amortized cost
Derivative financial instrument	FVTPL	Fair value

Classification and measurement

The Company's business model is to hold financial assets to collect the contractual cash flow based on its contractual terms. As a result, the Company classifies the portfolio of finance receivables under the hold to collect business model. Finance receivables represent loans to borrowers, which are repaid in instalments at fixed rates of interest embedded in the contract and paid on the contracted dates. There are no features in the contracts that allow the borrower to extend and/or modify the term of the contracts that would create distortion on the business model. The Company initially recognizes finance receivables' principal at fair value and interest is the compensation for the time value of money, credit risk associated with the principal, lending risks, servicing costs and profit margin. Cash and other assets are also classified as held to collect; other assets consist mainly of amounts due from related parties.

Derivative financial instrument is classified as FVTPL upon initial recognition. Changes in the fair value are recognized in Other income in the Condensed Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income. The fair value of the derivative financial instrument is estimated by using a third-party broker quotation.

Assets held to collect and other financial liabilities

Financial assets held to collect and other financial liabilities are initially measured at fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial instruments. Immediately after initial recognition, an expected credit loss allowance is recognized for financial assets measured under this category. Financial assets and liabilities are subsequently carried at amortized cost using the effective interest method. Any changes are recognized in profit or loss.

Impairment of finance receivables

The Company uses a three stage approach to calculate expected credit losses (“ECL”) which is based on the change in credit quality of the finance receivables since initial recognition. Under the first stage, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL is recorded. Under the second stage, where there has been a significant increase in credit risk since initial recognition, but the financial instruments are not credit impaired and continue to accrue interest, an amount equal to the lifetime ECL is recorded. Under the third stage, where there is objective evidence of impairment, these financial assets are classified as credit impaired and an amount equal to the lifetime ECL is recorded. The lifetime of finance receivables is determined based on the remaining contractual maturity dates.

The ECL is determined using a model that requires application of significant judgment and is calculated by applying significant assumptions such as a probability of default, exposure at default, and loss given default to the population of finance receivables under each stage at each reporting date. The ECL model is forward looking and uses reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Depending on the severity of the credit risk, finance receivables’ ECL would be calculated under stage 1, 2 or 3. The Company considers finance receivables to have experienced a significant increase in credit risk when the finance receivables are greater than 30 days past due. Historically, the Company has experienced substantially higher collection rates for receivables less than or equal to 30 days past due as compared to receivables greater than 30 days past due.

Finance receivables are segmented into different stages at each measurement date as follows:
Stage 1: any receivable that does not fall under stage 2 and 3 and further segmented by the origination tier
Stage 2: receivable is greater than 30 days and under 91 days past due
Stage 3: any receivable that meets the default definition as follows:

- greater than 90 days past due; or
- collectability is no longer reasonably assured, and the collateral has been assigned for repossession

A defaulted finance receivable is fully written-off when it is over 180 days past due. The Company, where possible, continues to pursue recovery actions against the borrowers until all actions are exhausted.

Forward - looking information incorporated in the ECL models

The assessment of significant increase in credit risk ("SICR") and the calculation of ECL both consider forward -

looking information. The future impact of macroeconomic assumptions is assessed by reviewing historical information. The Company, together with CCMI, has historical data for over seven years. Management has leveraged the historical data to find out if there is an observable correlation between such historical data and changes in selected macroeconomic variables over the same period. These macroeconomic variables are unemployment rate, gross domestic product (GDP), oil prices, consumer price index (CPI) and real wages. Management has not observed any meaningful correlation between the historical data and changes in selected macroeconomic variables, primarily due to a macroeconomic environment that has been largely stable, with a limited period of higher inflation rates and higher benchmark interest over the period of observation. The historical performance of these assumptions allows the Partnership to build its sensitivity tolerance. The Partnership integrates assessment of SICR using lifetime probability of default ("PD") and forward-looking macroeconomic assumptions in computing the ECL calculation. Based on above work performed, historical information and sensitivity analyses, generally; macroeconomic assumptions do not have a significant impact on ECL. However, management will continue to review the correlation between macroeconomic variables and their impact on the Partnerships' finance receivables in future periods, at least annually, and incorporate relevant impact, if any, in its assessment of SICR and PD for the calculation of ECL. Notwithstanding the impact, at each measurement date, the Partnership considers current available relevant macroeconomic assumptions, industry data, and adjustments to the ECL will be made if there is an indication the assumptions are likely to move beyond the range of tolerance. The estimation and application of assumptions requires significant expert credit judgment.

Impairment of financial assets other than finance receivables

Financial assets other than finance receivables consist of cash and other assets. The credit risk of these assets is low. The Partnership assumes that there is no significant increase in credit risk for instruments that have a low credit risk.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and allocating the interest income or interest expense over the expected life of the financial asset or financial liability (or group of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument. The calculation includes all fees paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Transaction costs

Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception and are recognized over the term of the assets or liabilities using the effective interest method. Capitalized transaction costs in financial assets include the premium associated with purchasing fully serviced retail sales/loan contracts, as well as the Partnerships' shares of costs associated with acquiring the underlying contracts, which are amortized into earnings and netted against interest income. Capitalized transaction costs in financial liabilities include securitization costs which are amortized into earnings and included within interest expense.

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset with the net amount reported on the statement of financial position only when there is an unconditional and legally enforceable right to offset the recognized amount in all situations and there is an intention to settle on a net basis or the asset and the liability will be settled simultaneously.

Derecognition of financial instruments

A financial asset is derecognized when:

- the contractual rights to cash flows from the financial asset expire; or
- the Company transfers the contractual rights to cash flows from the financial asset; or
- the Company assumes a contractual obligation to pay the cash flow collected from the financial asset where it does not retain the risks and rewards and/or control of the financial asset.

A financial liability is derecognized when:
- the obligation under the liability is discharged, cancelled or expire; or
- there is an exchange of financial liability with the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified.

The original financial liability is derecognized, and the new financial liability is recognized, and the difference between the original and the new financial liability is recognized in the consolidated statements of comprehensive (loss) income.

Revenue recognition

Net interest income

The Partnerships recognize interest income and interest expense for all interest-bearing financial instruments using the effective interest method.

The obligors' retail sales/loan contract principal amounts include an administrative fee which may become partially rebatable in the event of prepayment prior to the scheduled maturity date of the contract. This amount is amortized into interest income on a daily basis over the term of the retail sales/loan contracts using the effective interest rate.

Interest income is presented net of amortization of capitalized costs associated with originating and purchasing the underlying contracts.

Other income

Other income includes fees charged to obligors for items such as due date changes, past due payments, and non-sufficient funds, all of which are recognized when realized. It also includes changes in the fair value of derivative financial instruments.

Deferred income taxes

Deferred income taxes are calculated using the asset and liability method. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the statement of financial position are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using tax rates substantively enacted in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. A deferred income tax asset is recognized to the extent that it is probable that the asset can be recovered. As at September 30, 2023, the Company has recognized a deferred tax asset for the portion of loss carry-forwards and temporary differences it expects to be recoverable.

Stock-based compensation

The Company issues stock-based compensation to directors, officers, employees and consultants. The fair value of options and warrants issued to directors, officers, employees and consultants to the Company is charged to net income (loss) over the vesting period with an offsetting amount recorded to contributed surplus. Fair value is measured using the Black-Scholes option-pricing model. Consideration paid on the exercise of stock options and stock warrants is recorded as share capital.

Earnings or loss per share

Earnings or loss per share are calculated using the weighted average number of shares outstanding during the reporting period. The treasury stock method of calculating diluted earnings per share is used, which assumes that all outstanding stock options granted with an exercise price below the average market value are exercised during the reporting period and the proceeds received from the assumed exercise of options are used to acquire shares in the open market at the average price. The difference between the number of shares assumed issued and the number of shares assumed purchased is then included in the denominator of the diluted earnings per share computation. Net income (loss) attributable to shareholders is used in the numerator.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity of the Company, except those resulting from investments by shareholders and distributions to shareholders. Comprehensive income (loss) is the total of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) comprises income, expenses and losses that, in accordance with IFRS, require recognition, but are excluded from net income (loss). The Company does not have any items giving rise to other comprehensive income (loss) in the reporting period, nor is there any accumulated balance of other comprehensive income (loss). All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income (loss) for the period.

Segment reporting

The only segment the Company currently holds investments in is the automotive financial services segment in Canada.

Standards issued but not yet effective

On October 31, 2022 the IASB issued amendments ‘Non-current liabilities with covenants’ to IAS 1, ‘Presentation of financial statements’. The amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity’s reporting date. The new amendments are effective for annual reporting periods beginning on or after 1 January 2024 and override the previous amendments. These amendments are not expected to have an impact on the Company's consolidated financial statements.

3. Finance Receivables

Finance receivables consist of retail sales/loan contracts which had initial terms of 24 to 84 months at time of origination and bear fixed rates of interest ranging from 9% to 27%. All finance receivables are secured by collateral charges on motor vehicles. The Partnerships had $134.7 million of gross finance receivables, representing $128.4 million of finance receivables and $8.6 million of transaction costs, netted against $2.3 million of administration fees as at September 30, 2023 (December 31, 2022 - $193.4 million of gross finance receivables representing $183.5 million of finance receivables and $13.5 million of transaction costs, netted against $3.5 of administration fees). During the nine months ended September 30, 2023, the Partnerships did not purchase and securitize new finance receivables and therefore, did not receive any securitization and subordinated debt proceeds (twelve months ended December 31, 2022 - purchased $117.4 million of gross finance receivable including transaction costs and administration fees; and received securitization and subordinated debt proceeds of $121.4

million).

	Sep 30, 2023	Dec 31, 2022
	$	$
Finance receivables	128,429,604	183,451,858
Add: Transaction costs	8,570,824	13,535,803
Less: Administration fees	(2,313,167)	(3,538,811)
Finance receivables - gross	**134,687,261**	**193,448,850**
Allowance for credit losses	(6,017,748)	(8,492,415)
Finance receivables - net	**128,669,513**	**184,956,435**

Included in the finance receivables is motor vehicle inventory, repossessed from customers with a net realizable value of $795,849 as of September 30, 2023 (December 31, 2022 - $1,403,653). These amounts represent net proceeds expected to be collected through auctions of motor vehicles subsequent to the period end.

Outstanding payments, including principal and interest, contractually due under the finance receivables, as well as transaction costs, as at September 30, 2023 and December 31, 2022 are outlined below. Management expects that a portion of the retail sales/loan contracts will be repaid in full prior to the maturity date. Accordingly, the maturities in the table below are not a forecast of future cash collections.

	Sep 30, 2023	Dec 31, 2022
	$	$
Within one year	46,262,086	60,538,431
One to three years	74,980,002	103,792,868
Three to five years	48,567,013	75,438,296
Greater than five years	7,539,898	23,348,296
Total receivables	177,348,999	263,117,891
Less: Unearned interest	(48,919,395)	(79,666,033)
Total receivables, net of unearned interest	128,429,604	183,451,858
Add: Transaction costs, net of administration fees	6,257,657	9,996,992
Finance receivables - gross	**134,687,261**	**193,448,850**
Allowance for credit losses	(6,017,748)	(8,492,415)
Finance receivables - net	**128,669,513**	**184,956,435**

The carrying value of gross finance receivables at amortized cost represents principal and transaction costs, net of administration fees.

Finance receivables' maximum exposure and allowance for credit losses by stage as of September 30, 2023 are as follows:

Credit risk rating	**Finance receivables by stage**		**Allowance for credit losses**	
	$	**%**	**$**	**%**
Stage 1	118,321,987	94.4	(2,500,324)	41.5
Stage 2	3,641,122	2.9	(1,448,489)	24.1
Stage 3	3,414,619	2.7	(2,068,935)	34.4
Total maximum exposure by stage	125,377,728	100.0	(6,017,748)	100.0
Transactions costs	8,570,824			
Fees and other charges	738,709			
Allowance for credit losses	(6,017,748)			
Finance receivables - net	**128,669,513**			

Finance receivables' maximum exposure and allowance for credit losses by stage as of December 31, 2022 are as follows:

Credit risk rating	**Finance receivables by stage**		**Allowance for credit losses**	
	$	**%**	**$**	**%**
Stage 1	169,066,978	94.3	(3,471,899)	40.9
Stage 2	5,571,004	3.1	(2,091,359)	24.6
Stage 3	4,648,741	2.6	(2,929,157)	34.5
Total maximum exposure by stage	179,286,723	100.0	(8,492,415)	100.0
Transactions costs	13,535,803			
Fees and other charges	626,324			
Allowance for credit losses	(8,492,415)			
Finance receivables - net	**184,956,435**			

The fair value of collateral held as security for finance receivables range from 40% to 45% of its maximum exposure.

The changes in allowance for credit losses between January 1, 2023 to September 30, 2023 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for credit losses, January 1, 2023	**3,471,899**	**2,091,359**	**2,929,157**	**8,492,415**
Transfer				
From stage 1 to 2	(218,693)	218,693	-	-
From stage 2 to 1	584,848	(584,848)	-	-
From stage 2 to 3	-	(919,593)	919,593	-
From stage 3 to 2	-	51,808	(51,808)	-
Early termination	(379,551)	-	-	(379,551)
Change in PDs/EADs/LGDs	(958,179)	591,070	6,404,849	6,037,740
Provision for credit losses for the period	**(971,575)**	**(642,870)**	**7,272,634**	**5,658,189**
Less: Write-offs, net of recoveries plus collection charges	**-**	**-**	**(8,132,856)**	**(8,132,856)**
Allowance for credit losses, September 30, 2023	**2,500,324**	**1,448,489**	**2,068,935**	**6,017,748**

The changes in allowance for credit losses between January 1, 2022 to December 31, 2022 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for credit losses, January 1, 2022	**2,463,478**	**1,142,635**	**956,151**	**4,562,264**
Transfer				
From stage 1 to 2	(1,108,755)	1,108,755	-	-
From stage 2 to 1	218,627	(218,627)	-	-
From stage 2 to 3	-	(2,385,728)	2,385,728	-
From stage 3 to 2	-	9,758	(9,758)	-
Early termination	(464,211)	-	-	(464,211)
New finance receivables purchased, net	1,553,755	-	-	1,553,755
Change in PDs/EADs/LGDs	809,005	2,434,566	7,786,428	11,029,999
Provision for credit losses for the year	**1,008,421**	**948,724**	**10,162,398**	**12,119,543**
Less: Write-offs, net of recoveries plus collection charges	**-**	**-**	**(8,189,392)**	**(8,189,392)**
Allowance for credit losses, December 31, 2022	**3,471,899**	**2,091,359**	**2,929,157**	**8,492,415**

Change in PDs/EADs/LGDs, noted in above tables, included other qualitative factors as of the period ended September 30, 2023 and year ended December 31, 2022.

4. Derivative Financial Instrument

Partnership's derivative is an over-the-counter customized derivative transaction and is not exchange traded. The following table summarizes the notional amount and estimated fair value of the derivative financial instrument as at September 30, 2023:

	Sep 30, 2023		
	Notional	**Fair Value Assets**	**Fair Value Liabilities**
Interest rate swap contract	30,500,000		
Current portion		975,892	-
Non-current portion		300,776	-
Totals	**30,500,000**	**1,276,668**	**-**

The interest rate swap contract fixed the Partnership's interest rate on the securitization debt to 1.77% for the remainder of its duration in exchange of its existing rate based on the monthly Canadian Dollar bankers' acceptance rate (CAD-BA-CDOR or CDOR). The interest rate swap contract matures in November 2025.

The following table summarizes the notional amount and estimated fair value of the derivative financial instrument as at December 31, 2022:

	Dec 31, 2022		
	Notional	**Fair Value Assets**	**Fair Value Liabilities**
Interest rate swap contract	63,000,000		
Current portion		1,715,008	-
Non-current portion		1,169,213	-
Totals	**63,000,000**	**2,884,221**	**-**

5. Securitization Debt

Securitization debt represents funding secured by the finance receivables. For the nine months ended September 30, 2023, the Partnerships did not securitize finance receivables and therefore, did not receive any securitization proceeds (twelve months ended 2022 – securitization proceeds of $113.4 million with principal outstanding of $112.9 million). Securitization debt is recorded at amortized cost using the effective interest method. Each tranche securitized under the facilities has a fixed rate of interest. The weighted average interest rate on the securitization debt as at September 30, 2023 is 5.39% (December 31, 2022 - 5.25%).

The securitization transaction does not qualify for de-recognition under IFRS due to the fact that the Partnerships retain exposure to prepayment risk and certain credit loss risk. As such, net proceeds received upon securitization are recognized as securitization debt on the statement of financial position and the related finance receivables continue to be recognized as assets. In order to protect against the prepayment and credit loss risks, the securitizers maintain a cash holdback account which is held in reserve for the Partnerships. The securitizers have recourse to draw down on the cash holdback for any obligor defaults experienced in the securitized portfolio and reduce their exposure to potential credit losses. The cash holdback is offset against securitization debt on the statement of financial position. Additionally, as further protection against prepayment and credit loss risks, the securitizers also have an overcollateralization component to every securitization transaction. As a result, the securitizers have recourse against 100% of the collateral, however they fund less than 100% of the finance receivables.

Pursuant to the securitization agreements, the securitizers appointed CCMI as the servicer of all retail sales/loan contracts securitized by the Partnerships. The Partnerships, the Company and CCMI are subject to certain financial covenants under the securitization facilities, including minimum tangible net worth requirements, all of which were in compliance during the period.

In accordance with the securitization agreements, the Partnerships transfer all of their rights, title and interest in the securitized finance receivables to the securitizers and must remit all scheduled or received principal and interest payments to the securitizers. Each securitization transaction has a fixed maturity, interest rate and repayment schedule based on the underlying finance receivables. If the Partnerships fail to meet any covenants under the securitization agreements, the securitizers may take control of the finance receivables and assign a back-up servicer. Under this event, the Partnerships' obligation as it pertains to the securitization debt would be extinguished. As such, the total cash holdback and the finance receivables overcollateralization represent the Partnerships' maximum exposure to their securitized receivables. The securitization debt is non-recourse to the Partnerships.

The securitization debt activity and balance for the period ended September 30, 2023 and the year ended December 31, 2022 respectively, is broken down as follows:

	Sep 30, 2023	**Dec 31, 2022**
	$	**$**
Securitization debt, opening balance	162,804,653	126,970,398
Gross proceeds on securitization	-	113,446,870
Repayments to securitizers	(64,319,903)	(77,251,048)
Decrease (increase) in cash holdback, net of releases	5,485,453	(300,616)
Change in unamortized securitization costs	76,209	(60,951)
Securitization debt, ending balance	**104,046,412**	**162,804,653**

The securitization debt as at September 30, 2023 is net of cash reserve of $4,811,423 (December 31, 2022 - $10,296,876), which is held back by the funders in separate accounts. Securitization costs are capitalized and amortized into interest expense over the term of the related securitization agreement.

Securitization debt, gross

Outstanding payments, including principal and interest, contractually due under the securitization debt, as at September 30, 2023 and December 31, 2022 are outlined below. Management expects that a portion of the securitization debt will be repaid in full prior to the maturity date. Accordingly, the maturities in the table below are not a forecast of future cash payments.

	Sep 30, 2023	**Dec 31, 2022**
	$	**$**
Within one year	46,870,446	51,905,433
One to three years	46,912,409	77,155,766
Three to five years	19,473,134	43,621,658
Greater than five years	1,336,412	11,566,037
Securitization debt, gross	114,592,401	184,248,894
Less: Unearned interest and unamortized securitization costs	(10,545,989)	(21,444,241)
Securitization debt, ending balance	**104,046,412**	**162,804,653**

During January 2023, the funding facilities of CAR LP I entered into an Early Amortization Event. As a result, all of the customer collections are applied against the Securitization debt with the exception of certain operational expenses and a portion of the deferred purchase price.

6. Subordinated Debt

This debt is subordinated to the securitization debt of CAR LP I and is subject to the terms and conditions contained in the securitization debt agreement and other related agreements. It carries an interest rate of 9% per annum and the repayment of debt is tied to the excess cash flows generated by CAR LP I and is also subject to certain covenants. In addition, there is a profit-sharing arrangement with the lender after the repayment in full of the subordinated debt. As of September 30, 2023 CAR LP I has not recognized a contingent liability for profit sharing.

The subordinated debt activity and balance for the period ended September 30, 2023 and the year ended December 31, 2022 respectively, are broken down as follows:

	Sep 30, 2023	**Dec 31, 2022**
	$	**$**
Subordinated debt, opening balance	18,054,207	14,968,599
Gross proceeds on subordinated debt	-	7,942,825
Repayments on subordinated debt	(353,622)	(4,857,217)
Subordinated debt, ending balance	**17,700,585**	**18,054,207**

During January 2023, the funding facilities of CAR LP I entered into an Early Amortization Event. As a result, all of the customer collections are applied against the Securitization debt with the exception of certain operational expenses and a portion of the deferred purchase price.

7. Share Capital

a) Authorized and Issued

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

	Shares	Amount ($)
Ending balance, December 31, 2021	97,266,667	12,044,486
Ending balance, September 30, 2022	97,266,667	12,044,486
Ending balance, December 31, 2022	97,266,667	12,044,486
Ending balance, September 30, 2023	**97,266,667**	**12,044,486**

b) Stock Options and Warrants

Issued and outstanding stock options as at September 30, 2023 were 5,850,000. 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 637,500 vested during each of the quarters ended September 30, 2022, and September 30, 2023. The fair value of options was recorded in earnings during the respective quarters as stock-based compensation expense. The remaining 637,500 stock options will vest on September 30, 2024. The stock options expire five years from the grant date. On June 21, 2023, 1,300,000 stock options granted during June 2018, were not exercised and therefore expired.

Issued and outstanding stock warrants as at September 30, 2023 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.

c) Dividends

In February 2023, the Company announced that it had temporarily suspended the payment of quarterly dividends to its shareholders. This decision was made by the Board in light of the strategic review being conducted by a special committee (the “Independent Committee"), comprised of independent members of the Board of Directors of the Company, and given the current uncertain macroeconomic environment.

During 2022, the Company paid quarterly cash dividend of $0.0025 per common share to its Common Shareholders. These dividends were paid on February 1, May 2, August 2 and November 10, 2022.

8. Non-Controlling Interest

A breakdown of the non-controlling interest ("NCI") on the statement of financial position as of September 30, 2023 is as follows:

	CAL LP	ACC LP III	CAR LP I	Total NCI
Equity invested by third parties in partnerships	807,099	1,428,010	1,250,010	3,485,119
Non-controlling portion of retained earnings (deficit)	61,953	235,773	(551,626)	(253,900)
Non-controlling portion of current period (loss) income)	(8,807)	149,930	(88,674)	52,449
Non-controlling portion of distributions	(131,314)	(1,060,135)	(45,014)	(1,236,463)
Total non-controlling interest	**728,931**	**753,578**	**564,696**	**2,047,205**

A breakdown of the non-controlling interest on the statement of financial position as of December 31, 2022 is as follows:

	CAL LP	ACC LP III	CAR LP I	Total NCI
Equity invested by third parties in partnerships	807,099	1,428,010	2,500,010	4,735,119
Non-controlling portion of retained earnings (deficit)	260,951	(11,338)	(568,825)	(319,212)
Non-controlling portion of 2022 (loss) income	(198,998)	247,110	(30,268)	17,844
Non-controlling portion of distributions	(131,314)	(640,074)	(45,014)	(816,402)
Repurchase of equity invested by third parties in partnership	-	-	(1,046,283)	(1,046,283)
Premium paid on above repurchase of equity	-	-	(156,250)	(156,250)
Total non-controlling interest	**737,738**	**1,023,708**	**653,370**	**2,414,816**

On June 30, 2022 CAR LP I repurchased for cancellation 1,250 of its outstanding partnership units held by certain of its limited partners, for an aggregate price of $1,875,000. As a result of the repurchase for cancellation, the Company's ownership of CAR LP I partnership units increased from 60% to 75%, and CCMI's ownership of CAR LP I partnership units increased from 20% to 25%.

The table below summarizes the financial information for each of the Partnerships where the Company holds its investments along with Non-controlling interest's ownership percentage in each of these partnerships as of September 30, 2023.

As at and for the period ended September 30, 2023	CAL LP ($)	ACC LP III ($)	CAR LP I ($)
Non-controlling ownership percentage	15%	40%	25%
Total assets	66,474,365	12,392,737	59,846,473
Total liabilities	61,476,121	10,113,621	58,579,545
Net Assets	4,998,244	2,279,116	1,266,928
Income	7,059,596	1,441,502	4,371,987
Financial expenses	7,049,198	874,211	4,700,732
Operating expenses	90,283	57,326	153,832
Net (loss) income	(79,885)	509,965	(482,577)
Operating cash flows	25,252,597	8,148,815	24,481,117
Financing cash flows	(26,174,583)	(8,596,719)	(25,466,771)
Decrease in cash flows	(921,985)	(447,904)	(985,654)

The table below summarizes the financial information for each of the Partnerships where the Company holds its investments along with Non-controlling interest's ownership percentage in each of these partnerships as of December 31, 2022.

As at and for the year ended December 31, 2022	**CAL LP ($)**	**ACC LP III ($)**	**CAR LP I ($)**
Non-controlling ownership percentage	15%	40%	25%
Total assets	92,903,253	20,670,743	85,108,265
Total liabilities	87,825,122	17,851,592	83,358,761
Net Assets	5,078,131	2,819,151	1,749,504
Income	6,953,867	3,186,139	12,096,561
Financial expenses	8,650,525	2,269,558	11,039,487
Operating expenses	108,310	76,071	1,567,800
Net (loss) income	(1,804,968)	840,510	(510,726)
Operating cash flows	(46,921,401)	19,309,787	(8,858,042)
Financing cash flows	48,276,672	(20,099,315)	6,787,451
Increase (decrease) in cash flows	1,355,271	(789,528)	(2,070,591)

9. Earnings or Loss Per Share

Earnings per share for the nine months ended September 30, 2023 and 2022 were calculated based on the following:

	For the three months ended		**For the nine months ended**	
	Sep 30, 2023	**Sep 30, 2022**	**Sep 30, 2023**	**Sep 30, 2022**
Loss attributable to shareholders ($)	(51,417)	(890,897)	(323,902)	(447,361)
Weighted average shares outstanding – basic	97,266,667	97,266,667	97,266,667	97,266,667
Earnings or loss per share – basic ($)	**0.00**	**(0.01)**	**0.00**	**0.00**
Loss attributable to shareholders ($)	(51,417)	(890,897)	(323,902)	(447,361)
Weighted average shares outstanding – diluted	97,266,667	97,266,667	97,266,667	97,266,667
Earnings or loss per share – diluted ($)	**0.00**	**(0.01)**	**0.00**	**0.00**

The diluted weighted average shares outstanding for the three and nine months ended September 30, 2023 presented above excluded the effect of stock options issued and outstanding as they were considered antidilutive.

10. Capital Management

Company's capital is comprised of equity, securitization debt and subordinated debt. The Company's objectives when managing capital are to safeguard the Company's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The company has securitization funding facilities with its existing third party lenders for up to $100 million. As at September 30, 2023, $83.0 million of funding remains available for utilization by the Partnerships through these funding facilities. Following the close of the quarter, CAL LP utilized a substantial portion of this available funding to acquire loan contracts from CAR LP I (refer to note 13). Subsequent to this acquisition, the funding facility was not extended or renewed beyond October 31, 2023.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company expects its current capital resources will be sufficient to carry its operations beyond its current fiscal year.

11. Financial Instruments and Risk Management

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 funding facilities, 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 September 30, 2023, the undiscounted cash flows arising from the finance receivables, excluding transaction costs, are as follows:

	Within 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Undetermined	Total
Finance receivables	46,262,086	74,980,002	48,567,013	7,539,898	-	177,348,999
Derivative financial instrument	975,892	300,776	-	-	-	1,276,668
	47,237,978	75,280,778	48,567,013	7,539,898	-	178,625,667

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

	Within 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Undetermined	Total
Securitization debt[1]	40,640,130	46,912,409	19,473,134	1,336,412	-	108,362,085
Subordinated debt	-	-	-	-	17,700,585	17,700,585
Deferred purchase price payable	2,230,875	3,844,123	636,449	2,964	-	6,714,411
Accounts payable and accrued liabilities	1,791,170	-	-	-	-	1,791,170
	44,662,175	50,756,532	20,109,583	1,339,376	17,700,585	134,568,251

[1] *Securitization debt obligation within 1 year excludes $6.2 million that was settled with the securitizers subsequent to September 30, 2023 from the cash on hand with the Partnerships' as at September 30, 2023.*

The notional amount of derivative financial instrument is $31 million, and it is used to economically hedge the floating interest rate risk related to securitization debt. The maturity of the notional amount closely aligns to the securitization debt. The amounts under derivative contract are settled on a net basis each month. Subsequent to the quarter end, the derivative contract and the related securitization debt were fully settled/repaid (refer to note 13).

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 repayments for subordinated debt are based on the excess cash flows generated by CAR LP I and therefore, the time period for these cash flows cannot be reasonably determined. These cash flows do not consider the potential impact of lock-up trigger events which can occur when loss ratios and delinquency rates, as defined in the securitization agreements, are above certain 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. Refer to note 3 for details on past due accounts as of September 30, 2023. As repossessed vehicles are sold, the 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 the current economic environment of higher inflation and higher benchmark interest, a measurement uncertainty exists with respect to provision for credit losses, as described in note 2 under *Use of estimates and judgments*. The Company has addressed this by closely monitoring the performance of its portfolio, including delinquency ratio, payment deferrals sought and granted, and other criteria. These performance metrics, including their impact, have been leveraged to overlay an additional amount of ECL for receivables.

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. Subordinate debt is subject to fixed rates of interest and carried at amortized cost. Securitization debt is also 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. CAR LP I's interest rate swap is an agreement with counterparty to receive a floating rate of interest in return for the CAR LP I paying a fixed rate of interest, based upon a notional balance. CAR LP I enters into interest rate swap contracts to convert floating-rate debt to fixed rate debt to match the characteristics of its finance receivables. As the interest rate swap economically hedges the majority of the securitization debt, any change in the interest rates will have an insignificant impact on the profit or loss of the CAR LP I. Subsequent to the quarter end, CAR LP I's interest rate swap contracts and the related securitization debt were fully settled/repaid (refer to note 13).

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 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

The following table summarizes the fair value of the Company's financial instruments as of September 30, 2023:

	Fair Value Level	Carrying Value (CV) ($)	Fair Value (FV) ($)	(CV) - (FV) ($)
Financial assets				
Cash	1	8,709,262	8,709,262	-
Other assets	2	862,524	862,524	-
Derivative financial instrument	2	1,276,668	1,276,668	-
Finance receivables - net	3	128,669,513	123,663,446	5,006,067
Total financial assets		139,517,967	134,511,900	5,006,067
Financial liabilities				
Accounts payable and accrued liabilities	2	1,791,170	1,791,170	-
Deferred purchase price payable	3	6,704,624	6,704,624	-
Securitization debt	3	104,046,412	99,657,446	4,388,967
Subordinated debt	3	17,700,585	15,729,237	1,971,348
Total financial liabilities		130,242,791	123,882,477	6,360,315

The following table summarizes the fair value of the Company's financial instruments as of December 31, 2022:

	Fair Value Level	Carrying Value (CV) ($)	Fair Value (FV) ($)	(CV) - (FV) ($)
Financial assets				
Cash	1	10,675,684	10,675,684	-
Other assets	2	626,017	626,017	-
Derivative financial instrument	2	2,884,221	2,884,221	-
Finance receivables - net	3	184,956,435	177,035,627	7,920,808
Total financial assets		199,142,357	191,221,549	7,920,808
Financial liabilities				
Accounts payable and accrued liabilities	2	660,712	660,712	-
Deferred purchase price payable	3	7,645,949	7,645,949	-
Securitization debt	3	162,804,653	158,121,620	4,683,033
Subordinated debt	3	18,054,207	16,044,045	2,010,162
Total financial liabilities		189,165,521	182,472,326	6,693,195

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 judgment about the assumptions market participants would use in pricing the instruments.

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:

- Cash, other assets, accounts payable and accrued liabilities - The carrying value of these items equals fair value due to their short-term nature i.e. these are settled within 30 days or less.
- Finance receivables, securitization debt and subordinate debt - Finance receivables, securitization debt and subordinate debt are measured at amortized cost and subject to fixed rates of interest and have similar maturities. The fair value is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate.
- Derivative financial instrument - The instrument is measured at fair value which is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate.
- Deferred purchase price payable - The deferred purchase price payable is initially recognized by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration, estimated losses and prepayments; however, subsequently it is measured at amortized cost. The fair value on the reporting date is calculated by discounting anticipated future cash flows at an appropriate risk weighted rate and takes into consideration estimated losses and prepayments. As a result, the carrying value approximates the fair value.

12. Related Party Transactions

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

	Sep 30, 2023	Dec 31, 2022
	$	$
Assets		
Finance receivable - gross (note a)	134,687,261	193,448,850
Other assets (note b)	702,327	550,880
Liabilities		
Accounts payable and accrued liabilities (note c)	89,780	76,961
Deferred purchase price payable (note d)	6,704,624	7,645,949

	For the three months ended		For the nine months ended	
	Sep 30, 2023	Sep 30, 2022	Sep 30, 2023	Sep 30, 2022
	$	$	$	$
Expenses				
Management fees (note e)	39,824	38,052	116,657	115,723
Stock-based compensation (note f)	91,515	91,515	91,515	91,515
General and administrative (note g)	-	-	-	546,920

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 third quarter of 2021. HEP was paid a structuring fee of $1,093,840 by CAR LP I for these services, which was amortized over a period of 12 months.

Balances and transactions the Partnerships have with these parties are as follows:

Note a) Amounts represent gross outstanding finance receivables purchased from ACC LP. For the three and nine months ended September 30, 2023, the Company did not acquire finance receivables from ACC LP (twelve months ended December 31, 2022 - acquired $117.4 million of gross finance receivables including transaction costs).

Note b) Other assets includes amounts due from ACC LP and CCMI related to customer collections in the normal course which were settled subsequent to period end.

Note d) Amounts due to CCMI that are deferred and payable over the life of the underlying retail sales/loan contracts.

Note g) General and administrative expense of $546,920 for the nine months ended September 30, 2022 represented the amortization of the structuring fee paid to HEP.

Following are the balances and transactions the Company had with the Manager:

Note c) Included in the balance was $39,824 management fees payable to the Manager as of September 30, 2023 (December 31, 2022 - $76,765).

Note e) Amounts represent management fees to the Manager incurred during the three and nine months ended September 30, 2023 and September 30, 2022, respectively.

- 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.
- 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.

Note f) Stock-based compensation incurred for the three and nine months ended September 30, 2023 and September 30, 2022 had a fair value of $91,515, respectively.

13. Subsequent event

Subsequent to the quarter end, on October 27, 2023, CAR LP I transferred all of its loan contracts, including other related assets and liabilities, at book value to CAL LP. On the same day, these loan contracts were securitized by CAL LP with its funding partner. In exchange for this transfer, CAL LP paid a cash consideration of $49.5 million and issued limited partnership units for the remaining amount to CAR LP I. All future economics arising from the transferred loan contracts will flow back to CAR LP I. Additionally, CAR LP I settled its interest rate swap contract in exchange for cash. These proceeds together were used to repay CAR LP I's securitization and subordinated debts along with the accrued interest in full.