AUTOMOTIVE FINCO CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

(Canadian dollars)

	Notes	September 30 2019	December 31 2018
ASSETS			
Current			
Cash		$ 77,209,401	$ 2,172,755
Interest receivable	6	675,177	–
Sales taxes receivable		152,717	152,717
Receivable from a project partner	16	700,000	700,000
Prepaid expenses		22,360	13,792
		78,759,655	3,039,264
Non-current			
Exploration and evaluation assets		1	1
Partnership's loan investments	6	–	76,333,333
Deferred tax assets		198,007	49,817
Total assets		$ 78,957,663	$ 79,422,415
LIABILITIES			
Current			
Accounts payable and accruals		$ 1,289,428	$ 866,325
Total liabilities		1,289,428	866,325
Non-current			
Convertible debentures	7, 16	27,612,152	26,946,809
Total liabilities		28,901,580	27,813,134
SHAREHOLDERS' EQUITY			
Capital stock	8	62,245,925	62,245,925
Warrants	8	–	1,720,971
Contributed surplus		7,561,788	5,840,817
Equity component of convertible debentures		2,938,709	2,938,709
Deficit		(22,690,355)	(21,137,153)
Total equity attributable to owners of the parent company		50,056,067	51,609,269
Non-controlling interest		16	12
Total equity		50,056,083	51,609,281
Total liabilities and shareholders' equity		$ 78,957,663	$ 79,422,415

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

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on November 29, 2019.

/s/ Kuldeep Billan
CEO

/s/ Shannon Penney
CFO

(Canadian dollars)

	Notes	Three months ended September 30 2019	Three months ended September 30 2018	Nine months ended September 30 2019	Nine months ended September 30 2018
REVENUE					
Interest revenue from Partnership's loan investments	6	$ 675,177	$ 2,003,750	$ 4,682,677	$ 6,011,250
OTHER OPERATING EXPENSES					
Partnership expenses		107,900	277,300	323,500	492,900
Legal expense		14,614	18,280	96,840	74,748
Share-based remuneration	9	–	–	–	5,127
Professional fees		–	–	48,200	84,510
Director fees		15,012	8,395	45,174	25,185
General and administrative expenses		17,485	22,006	96,377	97,267
Interest expense		741,591	719,368	2,215,227	2,150,882
		896,602	1,045,349	2,825,318	2,930,619
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE TAXES		(221,425)	958,401	1,857,359	3,080,631
Deferred income taxes		50,105	(288,587)	148,190	(852,337)
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$ (171,320)	$ 669,814	$ 2,005,549	$ 2,228,294
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
AFCC common shareholders		$ (171,320)	$ 669,812	$ 2,005,545	$ 2,228,288
Non-controlling interest		–	2	4	6
		$ (171,320)	$ 669,814	$ 2,005,549	$ 2,228,294
Basic income (loss) per common share	11	$ (0.01)	$ 0.03	$ 0.09	$ 0.10
Diluted income (loss) per common share	11	$ (0.01)	$ 0.03	$ 0.09	$ 0.10

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

(Canadian dollars)

	Notes	Capital stock	Warrants	Equity component of convertible debentures	Contributed Surplus	Deficit	Total attributable to owners of the parent company	Non-Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2017		$61,111,925	$1,720,971	$2,938,709	$5,832,763	$(19,962,588)	$51,641,780	$ 5	$51,641,785
Net income (loss) and total comprehensive income (loss) for the period		–	–	–	–	2,228,288	2,228,288	6	2,228,294
RSUs exercised		1,134,000	–	–	–	–	1,134,000	–	1,134,000
Share-based remuneration	9	–	–	–	5,127	–	5,127	–	5,127
Dividends declared	8	–	–	–	–	(3,476,667)	(3,476,667)	–	(3,476,667)
Balance at September 30, 2018		$62,245,925	$1,720,971	$2,938,709	$5,837,890	$(21,210,967)	$51,532,528	$ 11	$51,532,539
Balance at December 31, 2018		$62,245,925	$1,720,971	$2,938,709	$5,840,817	$(21,137,153)	$51,609,269	$ 12	$51,609,281
Net income (loss) and total comprehensive income (loss) for the period		–	–	–	–	2,005,545	2,005,545	4	2,005,549
Dividends declared	8	–	–	–	–	(3,558,747)	(3,558,747)	–	(3,558,747)
Warrants expired, April 2019	8	–	(1,720,971)	–	1,720,971	–	–	–	–
Balance at September 30, 2019		$62,245,925	$ –	$2,938,709	$7,561,788	$(22,690,355)	$50,056,067	$ 16	$50,056,083

(Canadian dollars)

	Notes	Three months ended September 30 2019	Three months ended September 30 2018	Nine months ended September 30 2019	Nine months ended September 30 2018
OPERATING ACTIVITIES					
Net income (loss)		$ (171,320)	$ 669,814	$ 2,005,549	$ 2,228,294
Adjustments					
Share-based remuneration	9	–	–	–	5,127
Accretion of convertible debentures	7	224,963	202,740	665,343	600,998
Deferred income tax		(50,105)	288,587	(148,190)	852,337
		3,538	1,161,141	2,522,702	3,686,756
Changes in working capital items	12	(409,424)	400,654	(260,642)	586,327
Cash flows from operating activities		(405,886)	1,561,795	2,262,060	4,273,083
FINANCING ACTIVITIES					
Dividends	8	(1,186,249)	(1,155,469)	(3,558,747)	(3,466,407)
Cash flows from financing activities		(1,186,249)	(1,155,469)	(3,558,747)	(3,466,407)
INVESTING ACTIVITIES					
Partnership's loan investments		76,333,333	–	76,333,333	–
Cash flows from investing activities		76,333,333	–	76,333,333	–
Net change in cash		74,741,198	406,326	75,036,646	806,676
Cash, beginning of period		2,468,203	2,094,322	2,172,755	1,693,972
Cash, end of period		$ 77,209,401	$ 2,500,648	$ 77,209,401	$ 2,500,648

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

1. NATURE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on December 5, 1986. The Company filed articles of amendment on October 22, 2015 to change the province where its registered office is situated to Ontario. The Company changed its name from "Augyva Mining Resources Inc." to "Automotive Finco Corp." (hereafter the "Company" or "AFCC") and gave effect to a consolidation of the common shares by a ratio of 15 pre-consolidation common shares to 1 post-consolidation common share pursuant to articles of amendment filed on March 3, 2017.

The head and registered office is located at 8 King Street East, Suite 1800, Toronto, Ontario, M5C 1B5, Canada.

Since June 20, 2017, the Company is a reporting issuer in all provinces and territories of Canada.

The common shares are listed and posted for trading on the TSX Venture Exchange under the trading symbol "AFCC" since March 8, 2017. Before that date, the common shares were listed and posted under the trading symbol "AUV".

On February 23, 2017, shareholders approved the change of business (hereafter "COB") from an exploration stage company engaged in the exploration of mineral properties in Canada to an investment issuer focused on providing debt financing and making other investments in the auto retail sector. Shareholders also approved the consolidation of shares. The COB was implemented on March 6, 2017.

In connection with the COB, the Company entered into a limited partnership agreement with Automotive Finance Limited Partnership (the "Partnership"). Automotive Finance GP Inc. is the General Partner of the Partnership and it is an entity controlled by a shareholder exercising a significant influence. The Company is the sole limited partner of the Partnership and makes its investments indirectly through the Partnership (see Note 6).

2. COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

3. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018. The Company's significant accounting policies as presented in Note 4 of the financial statements for the year ended December 31, 2018 have been consistently applied in the preparation of these condensed interim consolidated financial statements.

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

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 29, 2019.

4. CHANGES IN ACCOUNTING POLICIES

4.1 Recent Accounting Pronouncements

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

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

4. CHANGES IN ACCOUNTING POLICIES (continued)

4. Recent Accounting Pronouncements (continued)

Certain pronouncements have been issued by the IASB or IFRIC (IFRS Interpretations Committee) that will be effective for the current and future accounting periods. Many of these are not applicable to the Company and so are not discussed below. The following is a brief summary of IFRS 9 which replaced IAS 39, Financial Instruments: Recognition and Measurement, effective January 1, 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets which include a logical model for classification and measurement of financial assets, a single, forward-looking 'expected credit loss' impairment model. This applies to the Partnership's loan investments. The Company adopted the new standard as of January 1, 2018.

Under the historical IAS 39 measurement, cash, receivable from a project partner and Partnership's loan investments were classified as 'Loans and receivables'. Under IFRS 9, these are classified as 'Amortized cost'. For financial liabilities, the classification under IFRS 9 is consistent with IAS 39. The application of IFRS 9 has no impact on the classification and measurement of the Company's financial liabilities. The Company applied transitional relief and opted not to restate prior periods.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as was the case under IAS 39. Our financial performance and disclosure are not materially affected by the application of the standard. Additional information can be found in Note 4 of the financial statements for the year ended December 31, 2018.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

5.1 Significant management judgements

Recognition of deferred tax assets and measurement of deferred income tax

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

Impairment of Partnership's loan investments

The measurement of expected credit losses has required significant judgement.

5.2 Estimation uncertainty

Share-based remuneration

The estimation of share-based remuneration costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of stock options and warrants granted and the time of exercise of those stock options and warrants. The model used by the Company is the Black-Scholes valuation model.

(Canadian dollars)

6. PARTNERSHIP'S LOAN INVESTMENTS

In March 2017, the Partnership entered into two financing agreements with entities controlled by a shareholder exercising significant influence, pursuant to which the Partnership loaned an aggregate of $33,333,333. In May 2017, the Partnership entered into financing agreements with entities controlled by a shareholder exercising significant influence, pursuant to which the Partnership loaned an aggregate of $43,000,000. The investments earned interest at 10.5% per annum and had a 25-year term. The loans were disbursed at the end of June 2017 and repaid in August 2019.

During the period, the Partnership earned interest income of $4,682,677 ($8,015,000 – year ended December 31, 2018) from the entities controlled by a shareholder exercising significant influence and incurred Partnership expenses of $323,500 ($600,700 – year ended December 31, 2018). Partnership expenses include items such as compensation of the CEO/CFO and other general & administrative expenses. Interest earned in the amount of $675,177 is receivable as at September 30, 2019 ($Nil - as at December 31, 2018).

7. CONVERTIBLE DEBENTURES

In June 2017, the Company completed offerings of (i) $20,000,000 aggregate principal amount of convertible senior unsecured debentures of the Company maturing on June 30, 2022 at a price of $1,000 per convertible debenture and (ii) 3,705,000 shares at a price of $2.70 per share and concurrent offering of $10,615,000 in aggregate principal amount of convertible debentures. The convertible debentures bear interest of 6.75% per annum payable semi-annually on June 30 and December 31 in each year commencing on December 31, 2017. The convertible debentures are convertible into common shares of the Company at the option of the holder at any time at a price of $3.50 per common share. The Company has the option to redeem the convertible debentures, in whole or in part from time to time, on or after July 1, 2019 at their redemption amount. The redemption amount is, (i) from July 1, 2019 to and including June 30, 2020, 103% of, (ii) from July 1, 2020 to and including June 30, 2021, 102% of, (iii) from July 1, 2022 to and including June 29, 2022, 101% of, the principal amount of the convertible debentures to be redeemed plus accrued and unpaid interest thereon, up to the redemption date. The Company has the option of redeeming the convertible debentures by paying either cash or issuing common shares. The implied effective interest rate for accounting purposes on the convertible debentures is 10.48%.

	Convertible debentures	Equity component of convertible debentures
Issuance of convertible debentures	$ 30,615,000	$ –
Transactions costs	(895,748)	–
Equity component of convertible debentures, net of transaction costs	(3,998,243)	3,998,243
Accretion of convertible debentures	401,137	–
Deferred income taxes - equity component of convertible debentures	–	(1,059,534)
Balance, December 31, 2017	26,122,146	2,938,709
Accretion expense	824,663	–
Balance, December 31, 2018	26,946,809	2,938,709
Accretion expense	665,343	–
Balance, September 30, 2019	$ 27,612,152	$ 2,938,709

During the period, the Company recorded interest expense in the amount of $2,215,227 of which $665,343 is related to accretion of convertible debentures.

Refer to Note 16 for more information.

(Canadian dollars)

8. EQUITY

8.1 Capital stock

Capital stock consists of fully paid common shares, no par value, of which 652,708 shares are held in escrow.

Authorized

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

	Number of shares
Balance, December 31, 2017	22,523,773
Issued, exercise of Restricted Share Units [(a)]	600,000
Balance, December 31, 2018 and September 30, 2019	23,123,773

(a) On September 12, 2018, 600,000 shares were issued upon exercise of RSUs of the Company for a value of $1,134,000.

8.2 Warrants

Outstanding warrants entitled their holders to subscribe to an equivalent number of common shares as follows and expired in April 2019:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	2,481,161	$ 2.10
Exercised	–	–
Balance, December 31, 2018	2,481,161	$ 2.10
Expired, April 2019	(2,481,161)	$ 2.10
Balance, September 30, 2019	–	N/A

8.3 Dividends

In March 2017, the Board of Directors declared an annual dividend of $0.168 per common share, payable monthly. In June 2017, the Board of Directors increased the annual dividend to $0.205 per common share, which shall be payable monthly, with the first payment made at the end of July 2017 to the shareholders on record as of June 30, 2017. During the current period, the Company paid eligible dividends of $3,558,747 (year ended December 31, 2018 - $4,652,656). Furthermore, on September 19, 2019, the Company announced $0.0171 per common share to be paid on October 31, 2019 to the shareholders of record as of September 30, 2019. Refer to Note 16 for more information.

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

9. SHARE-BASED REMUNERATION

9.1 Stock options

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

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

The number of shares reserved for issuance to any beneficiary may not exceed 5% of the then outstanding shares. The number of shares reserved for consultants or any employee performing investor relation activities for a period of 12 months may not exceed 2% of the outstanding shares of the Company. The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

(Canadian dollars)

9. SHARE-BASED REMUNERATION (continued)

9.1 Stock options (continued)

All share-based remuneration will be settled in equity. A summary of the status of the stock options outstanding as of September 30, 2019 is presented below:

	September 30, 2019	
	Number of stock options	Weighted average exercise price
Outstanding, beginning of period	203,333	$1.76
Exercised	–	–
Expired	180,000	$1.74
Outstanding and exercisable, end of period	23,333	$1.79

The table below summarizes the information related to outstanding stock options as at the end of the reporting period:

	September 30, 2019		
Exercise Price	Number of stock options	Exercisable stock options	Weighted average remaining life (years)
$1.725	16,667	16,667	1.92
$1.950	6,666	6,666	1.92
	23,333	23,333	

In total, $Nil employee share-based remuneration expense (related to equity-settled share-based payment transactions) was included in profit or loss for the nine months ended September 30, 2019 ($5,127 for the nine months ended September 30, 2018) and is credited to Contributed surplus.

9.2 Restricted share unit plan and deferred share unit plan

In April 2014 and August 2016 a total of 30,000 DSUs were awarded to the directors. The DSUs awarded have no expiry date and vest subject to the achievement of specific price and operational performance conditions. Additional information can be found in Note 9 of the financial statements for the year ended December 31, 2018. The DSUs vested in 2017. As at September 30, 2019, 30,000 DSUs are outstanding.

In March 2017, the Board of Directors approved a total award of 866,668 RSUs with 666,667 awarded to the Company's CEO and 66,667 to each director. The RSUs awarded vest subject to the achievement of specific price and operational performance conditions. Additional information can be found in Note 9 of the financial statements for the year ended December 31, 2018. By late 2017, 75% of the RSUs had vested and were exercised as of December 31, 2018. On September 12, 2018, 600,000 shares were issued upon exercise of RSUs and an amount of $1,134,000 was accounted for in capital stock. As at September 30, 2019, 216,668 RSUs are outstanding and vest upon the achievement by the Company of a share price of $4.50 and expire in March 2020.

The Company recorded $Nil share-based remuneration expense related to the RSU's during the nine months ended September 30, 2019 ($Nil for the nine months ended September 30, 2018).

(Canadian dollars)

10. FAIR VALUE MEASUREMENT

Fair value measurement of financial instruments

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

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

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

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

11. NET EARNINGS (LOSS) PER SHARE

Reconciliations of earnings used in calculating earnings per share:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income (loss) attributable to common shareholders used in calculating diluted earnings per share	$ 2,005,545	$ 2,228,288

Reconciliations of average number of shares used as the denominator

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Weighted average number of shares outstanding used in calculating basic earnings per share	23,123,773	22,565,685
Effects of dilution from:		
RSUs	–	–
Warrants	–	38,386
Stock options	–	36,784
Weighted average number of shares outstanding used in calculating diluted earnings per share	23,123,773	22,640,855

During the nine months ended September 30, 2019, all outstanding RSUs and stock options as well as the convertible debentures have not been included in the calculation of the diluted earnings per share as they either have not vested, are not in the money or would have the effect of being anti-dilutive. During the nine months ended September 30, 2018, 216,668 RSUs which have not vested as well as the convertible debentures have not been included in the calculation of the diluted earnings per share as they would have the effect of being anti-dilutive.

(Canadian dollars)

12. ADDITIONAL INFORMATION - CASH FLOWS

The changes in working capital items are detailed as follows:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Interest receivable	$ (675,177)	$ –
Prepaid expenses	(8,568)	(9,037)
Accounts payable and accruals	423,103	595,364
	$ (260,642)	$ 586,327
Dividends declared included in accounts payable and accruals	$ 395,416	$ 395,416

13. RELATED PARTY TRANSACTIONS

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

13.1 Transactions with key personnel

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

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Partnership expenses	$ 262,500	$ 412,500
Directors' fees	45,174	25,185
Share-based remuneration (Note 9)	–	5,127
Total remuneration	$ 307,674	$ 442,812

As at September 30, 2019, the Company had interest receivable in the amount of $675,177 ($Nil - as at December 31, 2018) related to the Partnership's loan investments.

As at September 30, 2019, the Company had accounts payable of $1,289,428 ($866,325 as at December 31, 2018) of which $4,810 was to a company owned by key personnel ($4,810 as at December 31, 2018) and $294,561 ($294,561 as at December 31, 2018) was to key personnel as share-based remuneration.

On September 12, 2018, 600,000 RSUs were exercised by the Company's CEO and two directors.

13.2 Transactions with related companies

During the period, the partnership incurred partnership expenses of $323,500 ($492,900 during the nine months ended September 30, 2018) with an entity controlled by a shareholder exercising significant influence.

Beginning April 1, 2017, the Company incurred rent expense of $75,000 which is payable to a related company. An officer of the Company is a director of the related company.

(Canadian dollars)

14. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

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

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

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

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

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

15. FINANCIAL INSTRUMENTS RISKS

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

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

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

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

	September 30, 2019	December 31, 2018
Cash	$77,209,401	$ 2,172,755
Receivable from a project partner	700,000	700,000
Interest receivable	675,177	–
Partnership's loan investments	–	76,333,333
Carrying amounts	$78,584,578	$79,206,088

The Company continuously monitors defaults of counterparties. Management considers that all the above financial assets for each of the reporting dates under review are of good credit quality.

The credit risk for cash and the other instruments is considered negligible, since the counterparties are reputable banks and partners with high external credit ratings or good financial situations.

Refer to Note 16 for more information.

(Canadian dollars)

15. FINANCIAL INSTRUMENTS RISKS (continued)

15.2 Liquidity risk

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

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	September 30, 2019	December 31, 2018
Less than 12 months		
Account payable and accruals	$ 718,317	$ 571,763
Interest payable on convertible debentures	2,066,513	2,066,513
	$ 2,784,830	$ 2,638,276

	September 30, 2019	December 31, 2018
Between 12 and 60 months		
Convertible debentures	$ 30,615,000	$ 30,615,000
Interest payable on convertible debentures	4,133,025	5,135,157
	$ 34,748,025	$ 35,750,157

Management believes that working capital on hand will be sufficient to fund the Company's activities for the next 12 months.

Refer to Note 16 for more information regarding redemption of the convertible debentures.

16. SUBSEQUENT EVENTS

16.1 Dividends declared

Subsequent to September 30, 2019, and before the authorization of these consolidated financial statements, the Company announced eligible monthly dividends of $0.0171 per common share to be paid at the end of November and December 2019.

16.2 Redemption of Convertible Debentures

On October 7, 2019, the Company announced that it has issued a notice of redemption to holders of its currently outstanding 6.75% convertible senior unsecured debentures maturing on June 30, 2022 (the Debentures). As set out in the notice of redemption, AFCC intends to redeem all of the Debentures issued and outstanding as of December 16, 2019 (the Redemption Date).

Each Debenture is redeemable at a redemption price equal to the aggregate of 103% of $1,000 and all accrued and unpaid interest thereon up to but excluding the Redemption Date. All interest on the Debentures will cease to be payable from and after the Redemption Date. As of September 30, 2019, there was $30,615,000 principal amount of Debentures issued and outstanding.

Pursuant to the terms of the Debentures, holders of the Debentures have the right, prior to the Redemption Date, to convert their Debentures into common shares of AFCC at a conversion price of $3.50 per common share. Holders of Debentures should refer to the Indenture dated June 23, 2017 for additional information regarding the redemption process and the right of holders to convert their Debentures into common shares.

The Board of Directors of the Company is continuing to consider its options relating to the Company's cash position after the payment of fees and expenses relating to the redemption of the Debentures. A portion of these funds may be reinvested, held for future acquisitions, deployed as part of a substantial issuer bid or any combination of the foregoing. The Company does not intend to set a definite schedule to complete its evaluation of the various options and cautions that there are no assurances or guarantees that the process will result in a particular action or, if an action is undertaken, the terms or timing of such an action or actions.

16. SUBSEQUENT EVENTS (continued)

16.3 Receivable from a Project Partner

On October 3, 2019, the Company agreed to settle the outstanding receivable from a project partner subject to the Company's review of additional supporting documentation. The review and settlement are expected to be finalized in early 2020 after which additional information will be provided.