

CARFINCO INC.

THIRD QUARTER REPORT TO SHAREHOLDERS

NINE MONTHS ENDED MAY 31, 2000

PRESIDENT'S MESSAGE

To Our Shareholders:

The third quarter of Fiscal 2000 represents the largest quarterly growth of the finance receivables portfolio since the company commenced operations in March of 1997. This is mainly attributed to the vehicle purchase program, which has had tremendous acceptance in the province of Alberta.

The finance receivables increased \$2,668,320 (38%) from \$6,998,425 reported in the second quarter of Fiscal 2000 to \$9,666,745 reported for the third quarter of Fiscal 2000. The portfolio increased \$5,202,356 (117%) from the finance receivables of \$4,464,389 recorded for the same period of Fiscal 1999.

The total revenues increased \$868,396 (79%) from \$1,095,490 reported in the second quarter of Fiscal 2000 to \$1,963,886 reported for the third quarter of Fiscal 2000. The total revenues increased \$1,034,287 (111%) from the \$929,599 reported for the same period of Fiscal 1999.

As stated in the first quarter of Fiscal 2000, management adopted an aggressive charge off policy, considerably shortening the time in which accounts are charged off. In doing so a one-time charge off in October depleted the allowance for credit losses. This aggressive policy has been successfully maintained resulting in an increase of the allowance for credit losses to \$239,000 in the Third Quarter of Fiscal 2000.

The net earnings for the third quarter of Fiscal 2000 were \$5,789. The lower net earnings are a result of allocating \$239,000 towards the allowance for future credit losses. The total net earnings of \$132,848 for Fiscal 2000 at the end of the third quarter represents an increase of \$122,402 (1172%) from the \$10,446 stated for the same period of Fiscal 1999.

Expenses for the third quarter of Fiscal 2000 were \$862,607, an increase of \$350,628 (69%) from the expenses of \$511,979 incurred in the second quarter of Fiscal 2000. Increases in interest expense and provision for credit losses represent 91% of the increase. From the second to the third quarter of Fiscal 2000 interest expense increased \$44,136 due to the increased volume of business. The provision for losses increased \$273,419 largely due to the \$239,000 being allotted for future losses. Advertising and Marketing, Amortization, General and Administrative, and Salaries and Benefits combined represent the remaining 9% increase at \$33,073.

During the third quarter of Fiscal 2000 the company purchased and converted to a computer system specifically designed for the industry in which CARFINCO conducts business. The new system has increased tracking, reporting, and managing capabilities, thus increasing productivity and efficiency.

Thank you to all involved in the continued growth and success of CARFINCO.

“signed”
“Tracy A. Graf”

Tracy A. Graf
President and Chief Executive Officer

CARFINCO INC.

CONSOLIDATED BALANCE SHEET

(unaudited)

As at May 31

	<u>2000</u>	<u>1999</u>
Assets		
Current		
Finance receivables	\$ 9,666,745	\$ 4,464,389
Less allowance for credit losses	239,000	130,500
Finance receivables-net	<u>9,427,745</u>	<u>4,333,889</u>
Other assets	57,563	100,996
	<u>9,485,308</u>	<u>4,434,885</u>
Non-current		
Capital assets	220,282	41,624
Deferred costs	49,513	49,213
	<u>269,795</u>	<u>90,837</u>
	<u>\$ 9,755,103</u>	<u>\$ 4,525,722</u>
Liabilities		
Current		
Bank indebtedness	\$ 6,978,550	\$ 2,884,671
Payables and accruals	113,215	84,107
	<u>7,091,765</u>	<u>2,968,778</u>
Non-current		
Long-term debt	719,905	-
	<u>7,811,670</u>	<u>2,968,778</u>
Shareholders' Equity		
Share capital	2,378,167	2,128,615
Deficit	(434,734)	(571,671)
	<u>1,943,433</u>	<u>1,556,944</u>
	<u>\$ 9,755,103</u>	<u>\$ 4,525,722</u>

CARFINCO INC.

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

(unaudited)

Nine Months ended May 31

	<u>2000</u>	<u>1999</u>
Revenues		
Interest income	\$ 1,340,878	\$ 679,009
Administration fees	623,008	250,590
	<u>1,963,886</u>	<u>929,599</u>
Expenses		
Interest	446,228	149,425
Provision for credit losses	570,744	116,871
Advertising and marketing	11,434	39,733
Amortization	21,403	9,148
General and administrative	450,351	341,572
Salaries and benefits	330,878	262,404
	<u>1,831,038</u>	<u>919,153</u>
Net earnings	132,848	10,446
Deficit, beginning of period	<u>(567,582)</u>	<u>(582,117)</u>
Deficit, end of period	<u>\$ (434,734)</u>	<u>\$ (571,671)</u>
Earnings per share-basic	<u>\$ 0.01</u>	<u>\$ -</u>

CARFINCO INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

Nine months ended May 31

	<u>2000</u>	<u>1999</u>
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	\$ 132,848	\$ 10,446
Accrued interest	(86,987)	(32,623)
Administration fees receivable	(409,722)	(91,675)
Amortization	21,403	9,148
Provision for credit losses	570,744	116,871
	<u>228,286</u>	<u>12,167</u>
Change in non-cash operating working capital	161,323	(106,875)
	<u>389,609</u>	<u>(94,708)</u>
Investing		
Funds advanced on finance receivables	(8,628,095)	(4,095,588)
Principal collections on finance receivables	3,944,667	2,614,149
Proceeds from sale of finance receivables	-	118,710
Purchase of capital assets	(151,604)	(10,839)
	<u>(4,835,032)</u>	<u>(1,373,568)</u>
Financing		
Long-term debt Issuance	125,297	-
Repayment	(5,392)	-
Share issue costs	-	(4,641)
	<u>119,905</u>	<u>(4,641)</u>
Net increase in bank indebtedness during the period	(4,325,518)	(1,472,917)
Bank indebtedness Beginning of period	2,653,032	1,411,754
End of period	<u>\$ 6,978,550</u>	<u>\$ 2,884,671</u>

CARFINCO INC.

CORPORATE INFORMATION

☞ Board of Directors

Tracy A. Graf
David Prussky
Edward C. McClelland
David Rosenkrantz
Gordon J. Reykdal
Simon Serruya

☞ Officers

Tracy A. Graf	President and Chief Executive Officer
Troy S.F. Graf	Vice President and Chief Financial Officer
Paul M. Stein	Corporate Secretary
David Prussky	Treasurer

☞ Bankers

Canadian Imperial Bank of Commerce
Omnichentre One
9636 – 51st Avenue
Edmonton, Alberta, T6H 2W1

☞ Solicitors

Cassels Brock & Blackwell
Suite 2100 Scotia Plaza,
40 King Street West
Toronto, Ontario, M5H 3C2

☞ Auditors

Grant Thornton, Chartered Accountants
Scotia Place 1, Suite 2400
10060 Jasper Avenue
Edmonton, Alberta, T5J 3R8

☞ Stock Exchange Listing

The Canadian Dealing Network
Trading Symbol: CAAR

☞ Transfer Agent

Equity Transfer Services Inc.
Suite 420, 120 Adelaide Street West
Toronto, Ontario, M5H 4C3

CARFINCO INC.
100 Greystone Building IV
4207 98 Street, Edmonton, Alberta, T6E 5R7
Tel: 780.413.7549 Fax: 780.450.1134
Website: www.carfinco.com
E-mail: carfinco@carfinco.com