
Condensed Consolidated Interim Financial Statements of

CROWN CAPITAL PARTNERS INC.

Three months ended March 31, 2017 and 2016

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(expressed in thousands of Canadian dollars)

As at	March 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,213	\$ 19,262
Accounts receivable	2,295	1,747
Prepaid expenses	52	71
	24,560	21,080
Investments, at fair value through profit or loss (Note 4)	172,180	158,951
Equipment	15	16
Deferred financing costs (Note 8)	718	789
Deferred income taxes	1,491	1,539
	\$ 198,964	\$ 182,375
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 831	\$ 2,010
Deferred interest revenue	1,358	-
Distributions payable to non-controlling interest	1,684	1,116
Income taxes payable	545	909
	4,418	4,035
Provision for performance bonus (Note 5)	3,155	2,910
Non-controlling interests (Note 9)	88,979	73,911
Total Liabilities	96,552	80,856
Equity		
Share capital (Note 6)	96,714	96,635
Contributed surplus	2,113	1,900
Retained earnings	3,585	2,984
Total Equity	102,412	101,519
	\$ 198,964	\$ 182,375

Subsequent events (Note 11)

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (unaudited)

For the three months ended March 31,

(expressed in thousands of Canadian dollars, except earnings per share and weighted average number of shares)

	2017	2016
Revenues		
Fees and other income	\$ 526	\$ 555
Interest revenue	4,385	2,386
Net gain on investments		
Net realized gain (loss) on sale of investments	553	1,741
Net change in unrealized gains in fair value of investments	1,292	410
	6,756	5,092
Expenses		
Salaries, management fees and benefits	480	582
Share-based compensation (Note 7)	414	375
General and administration	417	359
Performance bonus expense	246	390
Depreciation	1	1
Finance costs (Note 8)	147	-
	1,705	1,707
Earnings before income taxes	5,051	3,385
Income taxes		
Current tax expense	709	750
Deferred tax	48	(19)
	757	731
Net income and comprehensive income	\$ 4,294	\$ 2,654
Net income and comprehensive income attributable to:		
Shareholders of the Corporation	\$ 1,744	\$ 1,639
Non-controlling interests (Note 9)	2,550	1,016
	\$ 4,294	\$ 2,655
Earnings per share attributable to shareholders:		
Basic	\$ 0.18	\$ 0.17
Diluted	\$ 0.18	\$ 0.17
Weighted average number of shares, basic	9,521,354	9,493,353
Weighted average number of shares, diluted	9,839,188	9,745,986

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the three months ended March 31,

(expressed in thousands of Canadian dollars, except number of shares)

	Number of shares	Share capital	Contributed surplus	Retained earnings	Total Equity
Balance as at January 1, 2016	9,488,094	\$ 96,386	\$ 836	\$ 2,038	\$ 99,261
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	1,639	1,639
Share-based compensation (Note 7)	-	-	375	-	375
Issuance of common shares (Note 6)	5,908	50	(50)	-	-
Dividends declared (Note 6)	-	-	-	(1,044)	(1,044)
Balance as at March 31, 2016	9,494,002	\$ 96,436	\$ 1,161	\$ 2,633	\$ 100,231
Balance as at January 1, 2017	9,514,759	\$ 96,635	\$ 1,900	\$ 2,984	\$ 101,519
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	1,744	1,744
Share-based compensation (Note 7)	-	-	414	-	414
Cash-settled share-based compensation (Note 7)	-	-	(67)	(4)	(71)
Issuance of common shares (Note 6)	14,231	134	(134)	-	-
Shares repurchased (Note 6)	(5,400)	(55)	-	4	(51)
Dividends declared (Note 6)	-	-	-	(1,143)	(1,143)
Balance as at March 31, 2017	9,523,590	\$ 96,714	\$ 2,113	\$ 3,585	\$ 102,412

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

For the three months ended March 31,

(expressed in thousands of Canadian dollars)

	2017	2016
Cash provided by (used in) operating activities		
Net income and comprehensive income	\$ 4,294	\$ 2,655
Non-cash items:		
Net realized (gain) loss on sale of investments	(553)	(1,741)
Net change in unrealized gains in fair value of investments	(1,292)	(410)
Depreciation	1	1
Deferred income tax	48	(19)
Share-based compensation	342	375
Provision for performance bonus (Note 5)	246	390
Amortization of deferred finance costs (Note 8)	71	-
Net change in non-cash working capital (Note 10)	74	482
	3,231	1,733
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	3,616	-
Proceeds from sale of equity securities	-	4,082
Purchase of investments	(15,000)	(375)
Purchase of property, plant & equipment	-	(5)
	(11,384)	3,702
Cash provided by (used in) financing activities		
Non-controlling interest contributions to CCF IV LP (Note 9)	15,448	-
Distributions paid by NCOF II to non-controlling interest	(1,400)	(848)
Distributions paid by CCF IV to non-controlling interest	(961)	(267)
Shares repurchased (Note 6)	(51)	-
Dividends (Note 6)	(1,143)	(1,044)
Net change in non-cash working capital (Note 10)	(789)	-
	11,104	(2,159)
Increase in cash and cash equivalents	2,951	3,276
Cash and cash equivalents, beginning of period	19,262	43,641
Cash and cash equivalents, end of period	\$ 22,213	\$ 46,917
Supplemental cash flow information:		
Interest received in the period	\$ 3,879	\$ 2,384
Income taxes paid in the period	\$ 1,073	\$ -

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

1. Reporting entity:

Crown Capital Partners Inc. (the “Corporation”) was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation provides investment management services and its registered office is Suite 888 3rd Street S.W., Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three months ended March 31, 2017 and 2016 comprise the Corporation and its subsidiaries.

On July 9, 2015, the Corporation issued 5,910,000 common shares pursuant to an Initial Public Offering (“IPO”). Immediately prior to the closing of the IPO, the Corporation acquired 69.75% of the outstanding limited partnership units of Norrep Credit Opportunities Fund II, LP (“NCOF II”) in exchange for 3,214,494 common shares of the Corporation.

Crown Capital Fund III Management Inc. (“CCF III”), a wholly-owned subsidiary, is the general partner of Norrep Credit Opportunities Fund, LP, NCOF II and Norrep Credit Opportunities Fund II (Parallel), LP and manages these investment funds.

On September 4, 2015, Crown Capital Fund IV Management Inc. (“CCF IV”), a wholly-owned subsidiary, was incorporated. CCF IV is the general partner of Crown Capital Fund IV, LP (“CCF IV LP”). In September 2015, the Corporation, through its wholly-owned subsidiary, Crown Capital Funding Corporation (“CCFC”), subscribed for 50,000 units of CCF IV LP, which at that time was a 50% interest. In July 2016, an additional 25,000 units were subscribed by other investors, reducing the Corporation’s interest to 40% effective July 1, 2016. In January 2017, an additional 50,000 units were issued of which CCFC subscribed for 11,250 units, reducing the Corporation’s interest to 35% effective January 1, 2017. Each unit of CCF IV LP includes a commitment to invest up to \$1,000 in CCF IV LP.

On December 16, 2015, Crown Capital Private Credit Management Inc. (“CCPC MI”), a wholly-owned subsidiary, was incorporated. CCPC MI is the general partner of Crown Capital Private Credit Fund, LP (“CCPC LP”), which was formed on December 16, 2015. The Corporation, through CCFC, owns 100% of the outstanding limited partnership units of CCPC LP.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as issued by the IASB. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation's financial position and results of operations since the last annual consolidated financial statements as at and for the year ended December 31, 2016. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2016.

These condensed consolidated interim financial statements were authorized for issue by the Corporation's Board of Directors on May 9, 2017.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, other than investments carried at fair value through profit or loss.

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments:

The preparation of the condensed consolidated interim financial statements in accordance with the financial reporting framework requires management to make judgments, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the reporting date.

The significant judgments made by management in applying the Corporation's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2016.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

3. Significant accounting policies:

The accounting policies applied to these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2016.

(a) New standards and interpretations not yet adopted:

At the date of these condensed consolidated interim financial statements, the following standards relevant to the Corporation were not yet effective:

IFRS 9 Financial Instruments: The new standard, which is intended to replace IAS 39 Financial Instruments: Recognition and Measurement, enhances the ability of investors and other users to understand the accounting of financial assets and reduces complexity. The approach to classifying an asset as either amortized cost or fair value in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. IFRS 9 also introduces a new impairment model based on expected losses. IFRS 9 is effective January 1, 2018 with early adoption permitted. The Corporation is currently assessing each of its agreements to determine the characteristics and if they will be measured at amortized cost or fair value. This process is expected to be complete by the end of the third quarter of 2017.

IFRS 15 Revenue from Contracts with Customers: The standard provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 applies to annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 15 will be applied effective January 1, 2018 and the Corporation does not expect any material changes to its financial reporting.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement:

(a) Investments

As at	March 31, 2017		December 31, 2016	
	Cost	Fair Value	Cost	Fair Value
Canadian equity securities	\$ 2,685	\$ 4,244	\$ 2,685	\$ 4,486
Canadian debt securities	165,235	167,936	153,248	154,465
Total Investments	\$ 167,920	\$ 172,180	\$ 155,933	\$ 158,951

The fair values of financial assets and financial liabilities that are traded on active markets are based on closing quoted market prices at the reporting date. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values of investments without quoted market prices are determined by management on the basis of the expected realizable value of the investments as at the date of the statement of financial position if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is considered by management to be appropriate at the date of the financial statement for the specific investment. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

(a) Investments (continued)

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Corporation's investments. The hierarchy of inputs is summarized below:

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Inputs for the instruments that are not based on observable market data (unobservable inputs) (Level 3). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(b) Fair value hierarchy – Financial instruments measured at fair value

The tables below analyze investments measured at fair value at March 31, 2017 and December 31, 2016 by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. There were no transfers between levels during the period.

	March 31, 2017			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian equity securities	\$ 1,796	\$ -	\$ -	\$ 1,796
Canadian warrants		2,448		2,448
Canadian debt securities	-	-	167,936	167,936
Total Investments	\$ 1,796	\$ 2,448	\$ 167,936	\$ 172,180

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

(b) Fair value hierarchy – Financial instruments measured at fair value (continued)

	December 31, 2016			
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian equity securities	\$ 1,684	\$ -	\$ -	\$ 1,684
Canadian warrants		2,801		2,801
Canadian debt securities	-	-	154,466	154,466
Total Investments	\$ 1,684	\$ 2,801	\$ 154,466	\$158,951

The level 3 investments as at March 31, 2017 and December 31, 2016 comprise private investments in Canadian debt instruments. Each loan is valued using the discounted present value of expected cash flows arising from these debt instruments.

Observable inputs used in the development of an appropriate discount rate include Government of Canada benchmark interest rate for the term of the individual loan and the BBB-rated corporate interest rate spread for the term of the individual loan.

Significant unobservable inputs used in developing the appropriate discount rate include an illiquidity spread as well as a credit spread, both of which increase the discount rate. These rates are set initially at a level such that the loan valuation equals the initial purchase cost of the loan and are subsequently adjusted at each valuation date to reflect management's current assessment of market conditions.

All four components of the discount rate are subject to adjustment based on changing market conditions. Both the Government of Canada benchmark interest rate and the BBB-rated corporate interest rate spread will increase or decrease as market interest rates rise or fall. The illiquidity spread and additional credit spread are reviewed at each valuation date and are adjusted based on both management's current assessment of market conditions and the economic performance of the individual investment.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

(b) Fair value hierarchy – Financial instruments measured at fair value (continued)

The following tables reconcile opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy:

March 31, 2017	
	Private Debt Securities
Beginning balance, January 1, 2017	\$ 154,466
Purchases	15,000
Repayment	(3,616)
Realized gains	553
Unrealized gains	1,533
Balance, March 31, 2017	\$ 167,936

March 31, 2016	
	Private Debt Securities
Beginning balance, January 1, 2016	\$ 79,737
Unrealized gains	811
Balance, March 31, 2016	\$ 80,548

The most significant input into the calculation of fair value of Level 3 debt investments is the discount rate applied to expected future cash flows. If the discount rate increased (decreased) by 100 bps, the fair value of Level 3 investments at March 31, 2017 would decrease by \$4,235 or increase by \$4,453, respectively.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

(c) Canadian debt instruments

As at March 31, 2017, investments held in the form of Canadian debt securities had coupon interest rates ranging from 8.0% to 14.0% (2016 – 8.0% to 14.0%) per annum with maturity dates from June 1, 2018 to December 15, 2025 (2016 – June 1, 2018 to December 15, 2025).

(d) Financial instruments not measured at fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and distributions payable to non-controlling interests approximate their fair values due to their short term to maturity.

5. Provision for performance bonus:

The Corporation has asset performance bonus pool (“APBP”) arrangements for certain individuals and entities, primarily employees and pre-IPO shareholders (the “Pre-IPO APBP Participants”), collectively (“APBP Participants”). For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund accrue to the Corporation as performance fee distributions.

Prior to the closing of the IPO, the Corporation committed to pay 100% of performance fee distributions accrued to June 30, 2015 from NCOF II to the Pre-IPO APBP Participants. In addition, the Corporation’s current compensation policy provides that 50% of such performance fee distributions earned after the closing of the IPO will be distributed to the Pre-IPO APBP Participants who are employees.

Allocation of the units of the APBP relating to CCF IV LP commenced in 2015 and will continue until 2022 with 50% of performance fees recognized by the funds allocated to employees.

As at March 31, 2017, the Corporation had accrued a provision for performance bonus payable of \$3,155 (December 31, 2016 - \$2,910), including \$2,417 (December 31, 2016 - \$2,349) relating to performance fees recognized to date by NCOF II and \$738 (December 31, 2016 - \$561) relating to performance fees recognized to date by CCF IV LP. No amounts were paid during the year. Performance bonus amounts will be paid to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners in the related investment funds.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

6. Share capital:

The authorized share capital of the Corporation consists of an unlimited number of common shares each carrying the right to one vote per common share at all meetings of shareholders of the Corporation and fully participating as to dividends of the Corporation.

Under a normal course issuer bid (“NCIB”), the Corporation has been authorized to purchase up to 620,000 outstanding common shares during the period April 8, 2016 to April 7, 2017, or until such earlier date as the bid is completed or terminated at the Corporation’s option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled.

During the three months ended March 31, 2017, the Corporation purchased and cancelled a total of 5,400 shares for total consideration of \$51 (average cost \$9.47 per share), (March 31, 2016 - \$nil). The average book value of the shares repurchased of \$10.16 per share was recorded as a reduction to share capital. The excess of the average book value over the market price, including transaction costs, totaled \$4 (March 31, 2016 - \$nil) and was recorded as an increase to retained earnings. Total shares purchased and cancelled under the NCIB up to March 31, 2017 was 21,578.

During the three months ended March 31, 2017, the Corporation issued 14,231 shares as vested share-based compensation. During the three months ended March 31, 2016, the Corporation issued 5,908 shares as vested share-based compensation (see Note 7). The Corporation, for the three months ended March 31, 2017, reclassified \$134 (March 31, 2016 - \$50) from contributed surplus to share capital for these shares.

During the three months ended March 31, 2017, the Corporation paid dividends of \$0.12 per share (March 31, 2016 - \$0.11 per share) for a total payment of \$1,143 (2016 - \$1,044).

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

7. Share-based compensation:

The Corporation issues performance share units (“PSUs”), restricted share units (“RSUs”), Transition Restricted Share Units (“TRSUs”) and Retainer Restricted Share Units (“RRSUs”), collectively (“Share Units”), to key management personnel, directors and employees. The PSUs vest when certain performance objectives are achieved. TRSUs were issued only in 2015 and all vest on July 9, 2018. RSUs issued to employees vest on July 9, 2018, January 1, 2019 and January 3, 2020 provided the holder of the Share Units remains an employee of the Corporation. RSUs issued to directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation. RRSUs are issued only to directors and vest immediately upon grant and, on the grant date, each is exchanged for one common share of the Corporation.

The Corporation issues additional Share Units to employees and directors in lieu of dividends on outstanding Share Units. These Share Units vest on the same date as the respective Share Units for which they were awarded. The number of Share Units issued in lieu of dividends is based on the weighted average trading price of the common shares in the five days preceding payment of a dividend.

Stock options granted are valued using a Black-Scholes formula and the expense is recognized over the vesting period. The stock options vest over a three-year period and have a five-year term and an exercise price of \$11.00. As at March 31, 2017, 146,524 (December 31, 2016 - 146,524) stock options had vested but had not been exercised and an additional 324,870 (December 31, 2016 – 299,870) stock options which had not vested remained outstanding.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

7. Share-based compensation (continued):

The Corporation issued 64,953 and 9,419 Share Units during the three months ended March 31, 2017 and 2016, respectively, and 21,350 and 5,908 Share Units vested, respectively. Of the Share Units that vested in the three months ended March 31, 2017 and 2016, 7,119 and nil Share Units, respectively, were cash-settled for \$71 and \$nil, respectively, to pay applicable withholding taxes, and 14,231 and 5,908, respectively, common shares were issued.

The tables below detail the share-based compensation expense recognized in the three months ended March 31, 2017 and 2016. Share-based compensation expense is recognized over the expected vesting period of each award.

For the three months ended March 31, 2017						
	Number				Number	
	outstanding at	Issued in	Vested or	Forfeited	at March	Expensed in
	January 1, 2017	period	exercised		31, 2017	period
						(000's)
TRSU ¹	190,976	2,270	-	-	193,246	\$ 155
PSU ¹	46,410	41,543	(16,235)	-	71,718	162
RSU ¹	51,677	21,140	(5,115)	-	67,702	67
RRSU ^s	-	-	-	-	-	-
Total Share Units ²	289,063	64,953	(21,350)	-	332,666	384
Stock options ³	446,394	31,818	-	(6,818)	471,394	30
Total	735,457	96,771	(21,350)	(6,818)	804,060	\$ 414

¹ The TRSUs, PSUs and RSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

² 21,350 Share Units vested in the period. 7,119 Share Units were cash-settled and 14,231 common shares were issued.

³ 146,524 stock options are exercisable as of March 31, 2017 at a weighted average exercise price of \$11.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

7. Share-based compensation (continued):

For the three months ended March 31, 2016						
	Number				Number	Expensed in
	outstanding at	Issued in	Vested or	Forfeited	outstanding	period
	January 1, 2016	period	exercised		at March	(000's)
					31, 2016	
TRSU ¹	181,818	2,586	-	-	184,404	\$ 145
PSU ¹	36,528	516	-	-	37,044	64
RSU ¹	29,168	409	-	-	29,577	37
RRSU ^s	-	5,908	(5,908)	-	-	50
Total Share Units ²	247,514	9,419	(5,908)	-	251,025	296
Stock options ³	491,849	-	-	-	491,849	79
Total	739,363	9,419	(5,908)	-	742,874	\$ 375

¹ The TRSUs, PSUs and RSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

² 61,387 Share Units vested in the period. 18,544 Share Units were cash-settled and 42,843 common shares were issued.

³ 146,524 stock options are exercisable as of December 31, 2016 at a weighted average exercise price of \$11.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

8. Credit facility:

On December 30, 2016, the Corporation entered into an agreement for a \$35 million senior secured revolving credit facility (the "Credit Facility") with Alberta Treasury Branches and Business Development Bank of Canada. The Corporation will use the Credit Facility to fund investments in mid-market corporations. The Credit Facility provides financing at a variable interest rate based on Bankers Acceptances rate plus 375 bps to 425 bps and has a customary set of covenants. The Credit Facility matures in three years and is subject to extension annually. As of March 31, 2017, \$nil (December 31, 2016 - \$nil) has been drawn on the Credit Facility. In relation to the Credit Facility, the Corporation incurred \$789 of deferred financing costs which will be amortized over the initial three-year term. In the three months ended March 31, 2017, \$147 (March 31, 2016 - \$nil) was expensed as finance costs relating to the Credit Facility for amortized deferred financing costs and standby fees.

9. Non-controlling interests (NCI):

As at	March 31, 2017		
	NCOF II	CCF IV LP	Total
NCI percentage	30.25%	65.0%	
Beginning balance, January 1, 2017	\$ 5,616	\$ 68,295	\$ 73,911
Net income and comprehensive income	197	2,353	2,550
Contributions	-	15,448	15,448
Distributions	(1,375)	(1,555)	(2,930)
Balance, March 31, 2017	4,438	84,541	88,979

As at	March 31, 2016		
	NCOF II	CCF IV LP	Total
NCI percentage	30.25%	50.0%	
Beginning balance, January 1, 2016	\$ 6,407	\$ 18,164	\$ 24,571
Net income and comprehensive income	535	481	1,016
Contributions	-	-	-
Distributions	(1,407)	(364)	(1,771)
Balance, March 31, 2016	\$ 5,535	\$ 18,281	\$ 23,816

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three months ended March 31, 2017 and 2016

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

10. Net change in non-cash working capital:

Three months ended March 31,	2017	2016
Accounts receivable	\$ (548)	\$ (3)
Prepaid expenses	18	15
Accounts payable and accrued liabilities	(1,179)	590
Deferred interest revenue	1,358	(870)
Income tax payable	(364)	750
Total	\$ (715)	\$ 482
Net change attributable to operating activities	74	482
Net change attributable to financing activities	(789)	-

11. Subsequent events:

- The Corporation announced on April 4, 2017 that it received approval to implement a new NCIB, commencing April 10, 2017 for a twelve month period, with the right to purchase up to 310,000 outstanding common shares.
- CCF IV LP holds senior secured notes of Source Energy Services Canada (“Source”), which include equity participation rights in connection with certain transactions, including an initial public offering. On April 13, 2017, Source completed an initial public offering and will settle CCF IV LP’s equity participation rights by issuing 116,057 common shares (the “Source Shares”) to CCF IV LP on May 29, 2017. The Source Shares are subject to a lock-up agreement for 180 days which will expire on October 10, 2017.