Condensed consolidated interim financial statements of

CROWN CAPITAL PARTNERS INC.

September 30, 2015

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

As at		September 30, 2015		December 31, 2014
Assets				
Current Assets				
Cash and cash equivalents	$	76,039,710	$	2,722,124
Accounts receivable		172,447		26,758
Prepaid expenses		85,271		17,920
		76,297,428		2,766,802
Investment in CCIP LP		466		464
Investments, at fair value through profit or loss (Note 5)		36,401,906		-
Property, plant and equipment		4,470		6,287
Deferred income taxes (Note 12)		1,592,320		1,609
	$	**114,296,590**	**$**	**2,775,162**
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$	1,347,413	$	2,570,784
Distributions payable to non-controlling interest		279,546		-
Income taxes payable		77,387		626
		1,704,346		2,571,410
Performance fee payable (Note 7)		1,793,486		-
Long-term shareholder loans (Note 1)		-		100,000
Non-controlling interest (Note 11)		13,540,900		-
Total Liabilities		17,038,732		2,671,410
Equity				
Share capital (Note 8)		96,386,398		100
Contributed surplus		514,611		99,820
Retained earnings		356,849		3,832
Total Equity		97,257,858		103,752
	$	**114,296,590**	**$**	**2,775,162**
Total equity per share				
Basic	$	10.25	$	0.34
Total shares outstanding		9,488,094		303,000

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (unaudited)

	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
Revenues				
Investment management fees, net of rebates (Note 10)	$ 134,064	$ 363,509	$ 661,552	$ 1,395,019
Interest for distribution purposes	1,256,795	1,986	1,260,181	5,526
Financing fees and other income	606,693	18	606,723	18
Net gain on investments at fair value through profit or loss (Note 5)				
Net realized gain on sale of investments	71,387	-	71,387	-
Net change in unrealized gains (losses) in fair value of investments	(148,063)	-	(148,063)	-
	1,920,876	365,513	2,451,780	1,400,563
Expenses				
Salaries, management fees and benefits (Note 10)	673,044	282,139	1,040,767	1,119,449
Share-based compensation (Note 9)	414,791	-	414,791	-
Professional fees and other	274,274	75,153	485,874	273,126
Performance allocation expense (Note 7)	57,693	-	57,693	-
Depreciation	585	670	1,817	2,108
	1,420,387	357,962	2,000,942	1,394,683
Earnings before other income and income taxes	500,489	7,551	450,838	5,880
Gain on acquisition of subsidiary (Note 1)	469,625	-	469,625	-
Earnings before income taxes	970,114	7,551	920,463	5,880
Income taxes (Note 12)				
Current tax expense (recovery)	84,580	1,133	77,132	882
Deferred tax (recovery)	129,050	-	129,050	-
	213,630	1,133	206,182	882
Total comprehensive income	$ 756,484	$ 6,418	$ 714,281	$ 4,998
Total comprehensive income attributable to:				
Shareholders of the Corporation	$ 395,220	$ 6,418	$ 353,017	$ 4,998
Non-controlling interest (Note 11)	361,264	-	361,264	-
	$ 756,484	$ 6,418	$ 714,281	$ 4,998
Earnings per share				
Basic	$ 0.05	$ 0.02	$ 0.11	$ 0.02
Diluted	0.04	0.02	0.11	0.02
Weighted average number of shares, basic	8,595,480	303,000	3,106,637	303,000
Weighted average number of shares, diluted	9,207,564	303,000	3,312,907	303,000

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the nine months ended September 30, 2015 and 2014

	Share capital	Contributed surplus	Retained earnings	Total Equity
Balance as at December 31, 2013	$ 100	$ 99,820	$ 1,944	$ 101,864
Total comprehensive income attributable to shareholders of the Corporation	-	-	4,998	4,998
Balance as at September 30, 2014	$ 100	$ 99,820	$ 6,942	$ 106,862
Balance as at December 31, 2014	$ 100	$ 99,820	$ 3,832	$ 103,752
Total comprehensive income Attributable to shareholders of the Corporation	-	-	353,017	353,017
Issuance of common shares (Note 8):				
Acquisition of NCOF II (Note 1)	35,359,423	-	-	35,359,423
Issue of share capital	666,600			666,600
IPO share proceeds	65,010,000	-	-	65,010,000
Underwriters' commission and offering expenses	(6,369,486)	-	-	(6,369,486)
Tax effect on share issue costs	1,719,761	-	-	1,719,761
Share-based compensation (Note 9)	-	414,791	-	414,791
Balance as at September 30, 2015	$ 96,386,398	$ 514,611	$ 356,849	$ 97,257,858

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

For the nine months ended September 30,	2015	2014
Cash provided by (used in) operating activities		
Total comprehensive income	$ 714,281	$ 4,998
Proceeds from repayment of debt securities	24,887,430	-
Proceeds from sale of equity securities	3,168,564	
Purchase of investments	(15,000,000)	-
Non-cash items:		
Net realized gain on sale of investments	(71,387)	-
Net change in unrealized gains (losses) in fair value of investments	148,063	-
Gain on acquisition of investment (Note 1)	(469,625)	-
Depreciation	1,817	2,108
Deferred income tax	129,050	-
Share-based compensation	414,791	-
Net change in non-cash working capital	2,640,553	315,011
	16,563,537	322,117
Cash provided by (used in) investing activities		
Acquisition of subsidiary, net of cash acquired	16,339	-
Change in investment	(2)	9
	16,337	9
Cash provided by (used in) financing activities		
Non-controlling interest contributions to CCF IV LP	7,500,000	-
Distributions paid by NCOF II to non-controlling interest	(10,247,987)	-
Shareholder advances	250,000	-
Repayment of shareholder advances (Note 1)	(350,000)	-
Issue of share capital net of issue costs ($5,702,906) (Note 8)	59,307,114	-
Net change in non-cash working capital	278,585	-
	56,737,712	-
Increase in cash and cash equivalents	73,317,586	322,126
Cash and cash equivalents, beginning of period	2,722,124	1,199,678
Cash and cash equivalents, end of period	$ 76,039,710	$ 1,521,804
Supplemental cash flow information:		
Interest received in the period	1,229,856	3,523

See accompanying notes to condensed consolidated interim financial statements.

1. Nature of business:

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 principal place of business is 888 3rd Street, S.W., 10th floor, West Tower, Calgary, Alberta. These condensed consolidated interim financial statements ("interim financial statements") as at and for the three and nine months ended September 30, 2015 comprise the Corporation and its subsidiaries.

On July 27, 2015 Norrep Credit Opportunities Fund Inc., a wholly-owned subsidiary, changed its name to Crown Capital Fund III Management Inc. ("CCF III").

On June 30, 2015, the Corporation became a reporting issuer when it filed a prospectus ("Prospectus") with all provincial securities commissions in Canada in respect of an Initial Public Offering ("IPO") of common shares as follows:

(a) On July 9, 2015, pursuant to an underwriting agreement, the Corporation issued 5,910,000 common shares pursuant to the IPO priced at $11.00 per share, resulting in gross proceeds of $65,010,000 and net proceeds of $59,307,094 after underwriters' commission and cash offering expenses of $5,702,906.

(b) 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 valued at $35,359,423. The following summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Assets	
Cash	$ 16,339
Accrued interest and accounts receivable	4,247,555
Investments at fair value through profit or loss	49,534,576
Total assets	53,798,470
Liabilities	
Accounts payable and accrued expenses	26,460
Distributions payable	4,013,580
Performance fee payable	1,735,793
Total liabilities	5,775,833
Total identified net assets acquired	$ 48,022,637
Consideration transferred	$ 35,359,423
Less: distributions payable to the Corporation	(2,332,446)
Non-controlling interests (30.25%)	14,526,035
Gain	$ 469,625

1. Nature of business (continued):

If the acquisition of NCOF II had occurred at the start of the year, the Corporation's consolidated revenues for the nine months ended September 30, 2015 would have been $10,901,551 and total consolidated comprehensive income would have been $7,407,402 of which $5,021,469 would be attributable to the owners of the Corporation.

(c) The shareholder loans, in the amount of $350,000, were repaid on July 13, 2015 from the IPO proceeds.

(d) 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"), which is 50% owned by the Corporation through its wholly owned subsidiary Crown Capital Funding Corp ("CCFC"). CCFC committed to contribute capital of $50 million to CCF IV LP in exchange for a 50% limited partnership interest and to September 30, 2015 has contributed $7.5 million.

2. Basis of preparation:

These 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, 2014. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Corporation as at and for the year ended December 31, 2014, as set out in the Prospectus dated June 30, 2015.

These condensed consolidated interim financial statements were authorized for issue by the Corporation's Board of Directors on November 9, 2015.

3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in the December 31, 2014 financial statements. The Corporation has adopted the following new and amended accounting policies with respect to the IPO and acquisition of NCOF II, as described in note 1:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries CCFC, CCF III and CCF IV, its 69.75% interest in NCOF II from the date of acquisition, and its 50% interest in CCF IV LP. All inter-company accounts and transactions have been eliminated on consolidation.

(b) Non-controlling interests

Non-controlling interests are measured at the proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition.

Non-controlling interests on the consolidated statement of financial position are classified as a liability as the corresponding net assets attributable to the limited partners of the subsidiaries are classified as liabilities rather than equity.

(c) Share-based payment plans

Equity-settled share-based payments to employees, directors and others are measured at fair value of the equity instrument granted. A Black-Scholes option pricing model is used to fair value the stock options issued to employees on the date of grant. The closing market value of the Corporation's common shares on the day prior to the date of grant is used to determine the fair value of the equity-based share units issued to employees, except those granted on the date of the IPO in which case the closing market value on the date of the grant was used.

The cost of the equity-settled share based payments is recognized as an expense with a corresponding increase in contributed surplus over the related service period provided to the Corporation. The service period may commence prior to the grant date with compensation expense recognition being subject to specific vesting conditions (including non-market vesting performance conditions) and the best estimate of equity instruments expected to vest. Estimates relating to vesting conditions are reviewed regularly with any adjustments recorded to compensation expense. On the vesting date, the Corporation revises, if necessary, the estimate to equal the number of equity instruments ultimately vested and adjusts the corresponding compensation expense and contributed surplus accordingly.

Upon exercise or settlement of equity-based instruments, consideration received, if any, together with amounts previously recorded in contributed surplus, are recorded as an increase in share capital.

Cash-settled share-based payments are measured based on the fair value of the cash liability. The amount determined is recorded as compensation expense over the service period. The liability is re-measured each period with a corresponding adjustment to the related compensation expense until the date of settlement.

3. Significant accounting policies (continued):

(d) Financial assets and financial liabilities

(i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized on the trade date, which is the date on which the Partnership becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss, and subsequently measured at fair value.

Financial assets not at fair value through profit or loss are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently measured at amortized cost.

(ii) Classification

The Corporation classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- Held for trading: all derivatives, including warrants
- Designated at fair value through profit and loss: all debt and equity investments

Financial assets at amortized cost:

- Loans and receivables: cash and cash equivalents and accounts receivable

Financial liabilities at amortized cost:

- Other liabilities: all liabilities

The Corporation designates all debt and equity investments at fair value through profit or loss on initial recognition because it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities is on a fair value basis.

(iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

3. Significant accounting policies (continued):

(d) Financial assets and financial liabilities

(iv) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at recognition, minus principal repayments (if applicable), plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount (if applicable), minus any reduction for impairment (if applicable).

(v) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Corporation in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

(e) Revenue recognition:

(i) Interest for distribution purposes

The interest for distribution purposes represents the coupon interest received by the Corporation accounted for on an accrual basis and is recognized through profit or loss. The Corporation does not amortize premiums paid or discounts received on the purchase of fixed income securities.

(ii) Dividend income and expense

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. This is usually the ex-dividend date.

(iii) Financing fees and other income

Financing fees associated with the origination of investments at fair value through profit or loss are recognized in income when the related investments are recognized. Prepayment fees and other fees earned on the prepayment of debt securities are recognized in interest income when received.

(iv) Investment management fees

Revenue from management services rendered is recognized in profit to the extent that it is probable that the economic benefit will flow to the Corporation and that revenue can be reliably measured.

Investment management fees are earned based on the committed or contributed capital of the Funds under management and are recognized on an accrual basis. These fees are shown net of management fee rebates payable to third parties.

3. Significant accounting policies (continued):

(e) Revenue recognition (continued):

(v) Net gain on investments at fair value through profit or loss

Net realized and unrealized gain (loss) from financial instruments at fair value through profit or loss is calculated using the average cost method.

Average cost does not include amortization of premiums or discounts on fixed income securities.

4. Use of judgements and estimates:

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Corporation's accounting policies and the key source of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014, except for the estimated fair value of share based payments as described in notes 3 (c) and 9 and estimated fair value of investments as described in note 5.

5. Fair value measurement:

(a) Investments

As at	**September 30, 2015**		**December 31, 2014**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Canadian equity securities				
- NCOF II	$ 768,652	$ 2,348,320	$ -	$ -
- CCF IV LP	235,692	235,692	-	-
Canadian debt securities				
- NCOF II	20,369,289	19,071,456	-	-
- CCF IV LP	14,764,308	14,746,438	-	-
Total Investments	$ 36,137,941	$ 36,401,906	$ -	$ -

5. Fair value measurement (continued):

(a) Investments (continued)

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 judgement 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.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund'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.

5. Fair value measurement (continued):

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

The tables below analyze investments measured at fair value at September 30, 2015, 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.

	September 30, 2015			
	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				
- NCOF II	$ 2,201,140	$ 147,180	$ -	$ 2,348,320
- CCF IV LP	-	235,692	-	235,692
Canadian debt securities				
- NCOF II	-	-	19,071,456	19,071,456
- CCF IV LP	-	-	14,746,438	14,746,438
Total Investments	$ 2,201,140	$ 382,872	$ 33,817,894	$ 36,401,906

The level 3 investments as at September 30, 2015 in the tables above are all 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 investment.

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 current 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 general market conditions and the economic performance of the individual investment.

5. 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:

September 30, 2015		Private Debt Securities
Beginning balance	$	-
Acquired on acquisition of NCOF II		44,084,920
Purchases		14,764,308
Sales		(24,887,430)
Changes in unrealized gains (losses)		(143,904)
Total	$	33,817,894

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 September 30, 2015 would decrease by $718,273 or increase by $713,260 respectively.

(c) Canadian debt instruments

As at September 30, 2015, investments held in the form of Canadian debt securities had coupon interest rates ranging from 10.0% to 12.0% per annum with maturity dates from April 5, 2018 to April 1, 2020.

(d) Canadian equities

As at September 30, 2015, equity investments included both common shares of Canadian public companies and warrants in Canadian private and public companies.

(e) Financial instruments not measured at fair value

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

6. Financial risk management:

(a) Overview:

The Corporation has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk and the Corporation's management of capital.

(b) Risk management framework:

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

The Corporation views its capital as a combination of debt and shareholders' equity balances. The Corporation's securities regulators require the Corporation to maintain a minimum of $100,000 of excess working capital. Management meets this requirement by performing a monthly calculation from internally prepared financial statements. Should there be any indication that the Corporation is nearing the minimum excess working capital threshold, management would take the necessary steps to enhance its working capital position including, but not limited to, such measures as an equity raise or acquiring long-term debt. During the period the Corporation has met or exceeded its minimum excess working capital requirements as required by the securities regulators.

6. Financial risk management (continued):

(c) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's investments in debt securities, as well as accounts receivable from the funds that it manages.

Management fees are collected monthly from cash flows from the underlying investments.

A portion of the debt instruments held by the Corporation are unrated and relatively illiquid. Repayments are dependent on the ability of the underlying businesses to generate sufficient cash flow from operations, refinancings or the sale of assets or equity. The terms of the individual debt instruments and the risks of the underlying businesses are reflected in the fair values at the reporting date.

The carrying amount of financial assets represents the maximum credit exposure as follows:

Carrying amount	September 30, 2015	December 31, 2014
Cash and cash equivalents	$ 76,039,710	$ 2,722,124
Accounts receivable	172,447	26,758
Investments in debt securities, at fair value through profit or loss	33,817,894	-
	$ 110,030,051	$ 2,748,882

(d) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Corporation has current liabilities at September 30, 2015 of $1,704,346 and current assets of $76,297,428 (December 31, 2014 - $2,571,410 and $2,766,802), respectively.

The Corporation has long-term liabilities at September 30, 2015 of $15,334,386, representing performance fee payable and non-controlling interest. Since these liabilities only become due as the related fund's assets are liquidated and proceeds received, there is no associated liquidity risk.

6. Financial risk management (continued):

(e) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk:

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation invests primarily in Canadian-dollar denominated investments and therefore does not have any direct exposure to currency risk. Investee companies may be exposed to fluctuations in currency rates because of sales or expenditures denominated in foreign currencies.

(ii) Interest rate risk:

Interest rate risk is the risk that the Corporation's earnings will be affected by fluctuations in interest rates. The Corporation holds interest-bearing short term deposits and debt instruments, however the risk arising from changes in market interest rates is not material. The Corporation's interest-bearing debt investments are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity with a minimal correlation to interest rates.

(iii) Other price risk:

Other price risk includes other factors that affect market prices, other than currency and interest risk. This may include the ability of an investee company to profitably distribute its products. Most of the companies in which the Corporation invests are dependent upon a single product or industry. The Corporation manages this risk through careful due diligence prior to committing funds to the investment.

The Corporation's investments at fair value through profit or loss exposed were concentrated in the following industries:

	% of Investments September 30, 2015	% of Investments December 31, 2014
Healthcare	43.9%	0.0%
Basic Materials	6.0%	0.0%
Industrial Services	49.7%	0.0%
Other	0.4%	0.0%
Total	100.0%	0.0%

7. Performance fee payable:

The Corporation has an asset performance bonus pool ("APBP") arrangement for certain individuals, primarily employees. For each fund managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund will accrue to the Corporation as performance fees. The Corporation's current compensation policy provides that 50% of such fees earned after the closing of IPO will be distributed to certain officers and employees of the Corporation.

Prior to the closing of the IPO, the Corporation committed to pay 100% of performance fees earned to that date from NCOF II to the then-current participants of the APBP, including the pre-IPO shareholders and certain directors. Accordingly, the performance fee liability accrued in NCOF II at the date of acquisition, as described in Note 1, is recognized as a liability in the consolidated statement of financial position at September 30, 2015. The liability at September 30, 2015 ($1,793,486) also includes 50% of performance fees accrued in the third quarter of 2015. The other 50% will be retained by the Corporation.

8. Share capital:

	For the nine months ended September 30, 2015		For the year ended December 31, 2014	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Common shares outstanding, beginning of year	100	$ 100	100	$ 100
Issued to minority shareholders	20	666,600	-	-
Stock split	363,480	-	-	-
Issued pursuant to the acquisition of NCOF II (Note 1)	3,214,494	35,359,423	-	-
Issued pursuant to the IPO, net of commission and offering expenses net of deferred tax	5,910,000	60,360,275	-	-
Total	9,488,094	$ 96,386,398	100	$ 100

On May 20, 2015, the Corporation issued 20 common shares for $1 per share to two minority shareholders resulting in a reduction of the ownership percentage held by Norrep Investment Management Group Inc. from 60% to 50% of the common shares issued. The common shares were ascribed a fair value of $11 per share, being the IPO price, and recorded as a financing cost of $666,580. The issuance of these shares was contingent on the successful completion of the IPO.

On June 30, 2015, the Corporation split the issued common shares on a 3,030 for one basis, resulting in 363,600 shares issued and outstanding.

8. Share capital (continued):

Immediately prior to the closing of the IPO, the Corporation acquired 69.75% of the outstanding limited partnership units of NCOF II in exchange for 3,214,494 common shares of the Corporation valued at $35,359,423.

On July 9, 2015, pursuant to an underwriting agreement, the Corporation issued 5,910,000 common shares pursuant to the IPO priced at $11.00 per share, resulting in gross proceeds of $65,010,000, less underwriters' commission and offering expenses of $4,649,725, net of deferred tax of $1,719,761.

9. Share-based compensation:

As at September 30, 2015, the Corporation had the following share-based compensation arrangements:

(a) Share units:

Upon completion of the IPO, the Corporation issued 181,818 Transition Restricted Share Units, 36,528 Performance Share Units and 31,895 Restricted Share Units (collectively "the Share Units") to key management personnel, directors and employees. The Restricted Share Units and Transition Restricted Share Units generally vest over a one to three year period provided the holder of the Share Units remains an employee or director, as the case may be, of the Corporation. The Performance Share Units vest on achievement of certain investment targets established by the directors. All Share Units are settled by the issuance of one common share for each Share Unit vested.

Holders of Share Units participate in dividends through receipt of additional Share Units equivalent to the amount the dividend paid by the Corporation on each common share, divided by the weighted average trading price of the common shares in the five days preceding the payment of the dividend.

The fair value of the Share Units granted is based on the closing price on the date of grant and is recognized over the vesting period. For the three and nine months ended September 30, 2015, the Corporation expensed $346,626 as share-based compensation.

All of the Share Units issued remain outstanding as at September 30, 2015.

9. Share-based compensation (continued):

(b) Stock options:

Upon completion of the IPO, the Corporation issued 428,213 stock options (the "Options") to key management personnel. The Options vest over a three-year period and have a five-year term and an exercise price of $11.00.

The Options granted were fair valued using a Black-Scholes formula. Expected volatility has been based on the volatility of comparable public companies. Assumptions used to determine the fair value of stock options granted by the Corporation are as follows:

Risk free interest rate	1.0%
Dividend yield	4.0%
Expected volatility	25%
Expected life	5 years
Grant date price	$10.10
Exercise price	$11.00

The expense is recognized over the vesting period. The fair value of the options was calculated at $1.14 per option. For the three and nine months ended September 30, 2015, the Corporation expensed $68,165 as share-based compensation.

All of the options issued remain outstanding as at September 30, 2015.

10. Related party transactions:

(a) Key management personnel compensation:

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include the Directors, President and Chief Executive Office, Executive Vice President and Chief Financial Officer.

Directors are paid a retainer, of which at least 50% must be paid as Share Units and the balance can be received as either additional Share Units or cash at the Director's discretion.

Key management personnel compensation for the three and nine months ended September 30, 2015 is comprised of:

	For the three months ended September 30,		For the nine months ended September 30,	
	2015	2014	2015	2014
Salaries, management fees and benefits	$ 182,307	$ 77,063	$ 478,087	$ 231,188
Share-based compensation	359,291	-	359,291	-
Accrued bonus	389,063	87,880	389,063	439,400
Performance allocation expense	52,208	-	52,208	-
	$ 982,869	$164,943	$1,278,649	$ 670,588

Accrued bonus amounts in the above table are included in salaries, management fees and benefits in the condensed consolidated interim statements of comprehensive income. The accrued bonus amount recorded in both the three and nine months ended September 30, 2015 includes accrued bonuses for the period from January 1, 2015 to September 30, 2015.

(b) Other related party transactions:

(i) Pursuant to Partnership agreements, Norrep Credit Opportunities Fund, LP and Norrep Credit Opportunities Fund II (Parallel), LP, (each a "Fund" and collectively "the Funds"), pay management fees to the Corporation for management services provided. During the three and nine months ended September 30, 2015, management fees earned from the Funds amounted to $134,065 and $411,832 (2014 - $195,677 and $852,821), less rebates of $nil and $42,211 (2014 - $39,371 and $162,831), respectively.

At September 30, 2015, accounts payable and accrued liabilities included an amount payable to the Funds of $388,329 (December 31, 2014 - $380,578).

10. Related party transactions (continued):

(b) Other related party transactions (continued):

(ii) Pursuant to Partnership agreements, NCOF II and CCF IV LP also pay management fees to the Corporation for management services provided. Other than amounts paid by NCOF II prior to the acquisition described in Note 1 (b) (the "Rollover Transaction"), management fees paid to the Corporation by NCOF II and CCF IV LP are eliminated on consolidation. For the period in 2015 prior to the Rollover Transaction, NCOF II paid management fees to the Corporation of $389,563 less rebates of $97,632 (three and nine months ended September 30, 2014 - $251,894 and $855,208, less rebates of $52,192 and $175,681, respectively).

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

11. Non-controlling interest:

Non-controlling interest in total comprehensive income of 30.25% in NCOF II amounted to $320,113 for the three months and nine months ended September 30, 2015 (September 30, 2014 - $nil and $nil). Non-controlling interest in total comprehensive income of 50% in CCF IV LP amounted to $41,151 for the three months and nine months ended September 30, 2015 (September 30, 2014 - $nil and $nil).

Non-controlling interest represents the acquisition of NCOF II of $14,526,035 plus the non-controlling interest contribution to CCF IV LP of $7,500,000 plus the share of total comprehensive income attributable to non-controlling interest of $361,264 less distributions paid to non-controlling interest of $8,846,399.

12. Income taxes:

Income tax expense is recognized based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Corporation's consolidated effective rate for the nine months ended September 30, 2015 was 22%. The effective rate increased on the date of the IPO as the Corporation is now classified as a public corporation and not eligible for the small business deduction.

Deferred income taxes result from the financing costs associated with the IPO which are deductible for tax purposes over a five year period and unrealized gains or losses that are not taxed until they are realized. The table below outlines the changes in deferred tax balances.

	Net Balance January 1, 2015	Recognized in profit and loss	Recognized through equity	Net Balance September 30, 2015
Property, plant and equipment	$ 781	$ 625	$ -	$ 1,406
Other intangibles	828	145	-	973
Unrealized losses	-	(50,664)	-	(50,664)
Financing costs	-	(79,156)	1,719,761	1,640,605
		-		
	$ 1,609	$ 129,050	$1,719,761	$ 1,592,320

13. Commitments:

The Corporation entered into a commitment to contribute capital of $50 million to CCF IV LP. Of this commitment, $7.5 million was contributed in September 2015.