



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") of the consolidated operating and financial performance of Crown Capital Partners Inc. ("**Crown**" or the "**Corporation**") for the three and six months ended June 30, 2019 is prepared as of August 7, 2019. This discussion is the responsibility of management and should be read in conjunction with the Corporation's June 30, 2019 condensed consolidated interim financial statements and the notes thereto, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and other public filings available on SEDAR at www.sedar.com. The board of directors of the Corporation has approved this MD&A. All amounts herein are expressed in Canadian dollars unless otherwise indicated. See "Forward-Looking Statements".

References

Throughout this MD&A, the following operating companies, limited partnerships, portfolio companies and their respective subsidiaries will be referenced as follows:

- "**Active**" – Active Exhaust Corp.
- "**Baylin**" – Baylin Technologies Inc.
- "**BGO**" – Bill Gosling Outsourcing Holding Corp.
- "**Canadian Helicopters**" – Canadian Helicopters Limited
- "**CCF III**" – Crown Capital Fund III Management Inc.
- "**CCF IV Investment LP**" – Crown Capital Fund IV Investment, LP
- "**CCFC**" – Crown Capital Funding Corporation
- "**Crown Partners Fund**" – Crown Capital Partner Funding, LP, formerly Crown Capital Fund IV, LP
- "**Crown Partners Fund GP**" – Crown Capital LP Partner Funding Inc.
- "**Crown Power Fund**" – Crown Capital Power Limited Partnership
- "**Crown Power GP**" – 10824356 Canada Inc.
- "**Crown Private Credit Fund**" – Crown Capital Private Credit Fund, LP
- "**Data Communications**" – Data Communications Management Corporation
- "**Ferus**" – Ferus Inc.
- "**Marquee**" – Marquee Energy Ltd.
- "**Medicare**" – Medicare Inc.
- "**Mill Street**" – Mill Street & Co. Inc.
- "**NCOF LP**" – Norrep Credit Opportunities Fund, LP
- "**PenEquity**" – PenEquity Realty Corporation
- "**Persta**" – Persta Resources Inc.
- "**Petrowest**" – Petrowest Corporation
- "**Prairie Provident**" – Prairie Provident Resources Inc.
- "**RBee**" – RBee Aggregate Consulting Ltd.
- "**Rokstad Power**" – Rokstad Holdings Corporation
- "**Solo**" – Solo Liquor Holdings Limited
- "**Source**" – Source Energy Services Canada
- "**Touchstone**" – Touchstone Exploration Inc.
- "**Triple Five**" – Triple Five Intercontinental Group Ltd.
- "**VIQ Solutions**" – VIQ Solutions Inc.
- "**WireIE**" – WireIE (Canada) Inc.

Highlights of the Three Months Ended June 30, 2019

During the three months ended June 30, 2019:

- Crown earned net income and comprehensive income attributable to shareholders of the Corporation (“**Shareholders**”) of \$2.3 million (2018 – \$2.0 million);
- On April 8, 2019, the Corporation announced that it had received approval to renew its normal course issuer bid for the 12-month period commencing April 10, 2019, with the right to purchase up to 300,000 outstanding common shares of the Corporation (“**Common Shares**”). This replaced a normal course issuer bid that expired on April 9, 2019;
- On April 9, 2019, Crown Power Fund entered a joint arrangement with an additional operating partner for the construction of integrated energy platforms for mid- to large-scale electricity users. As of June 30, 2019, Crown Power Fund had advanced \$1.4 million to this operating partner and its contractors in relation to the construction of integrated energy platforms that were not yet operational;
- On April 29, 2019, Crown Partners Fund provided a \$25 million, 60-month term loan to Rokstad Power that features a fixed interest rate and an equity participation right based on the growth in Rokstad Power’s equity value. As of June 30, 2019, \$15.5 million had been advanced to Rokstad Power in relation to this loan; and
- On May 6, 2019, Crown announced a quarterly dividend of \$0.15 per Common Share payable on May 31, 2019 to Shareholders of record on May 17, 2019.

Subsequent Events

Subsequent to June 30, 2019:

- On July 5, 2019, Crown Partners Fund advanced an additional \$9.5 million to Rokstad Power, representing the remaining balance of committed and previously-unfunded capital under the existing credit agreement, and bringing the total investment in Rokstad Power to \$25.0 million;
- On July 15, 2019, Crown announced the acquisition of WireIE Holdings International Inc. Pursuant to the transaction, Crown acquired all of its debt and equity for a nominal amount on closing and a performance-based earn-out payment of up to \$5 million. Crown had invested \$7.6 million as of June 30, 2019 by way of an existing income streaming facility to WireIE;
- On July 29, 2019, Crown announced the full repayment by Canadian Helicopters of its special situations loan to Crown Partners Fund, including the loan principal value of \$8 million plus interest, a prepayment fee and other related payments;
- On July 29, 2019, Crown announced an agreement with Concentra Bank to provide investment management services for Concentra Bank’s \$20 million investment in a senior secured credit facility; and

- On August 7, 2019, Crown announced a quarterly dividend of \$0.15 per Common Share payable on August 30, 2019 to Shareholders of record on August 16, 2019.

Overall Performance

Total assets decreased to \$265.7 million at June 30, 2019 from \$275.9 million at December 31, 2018, including a decrease in the carrying value of investments to \$219.8 million from \$246.9 million resulting from both a net repayment of investments of \$19.8 million and a net reduction in the carrying value of investments measured at fair value through profit and loss (“**FVTPL**”) of \$11.0 million, which was partially offset by an increase in cash and cash equivalents from \$11.3 million to \$26.5 million inclusive of capital contributions from non-controlling interests to Crown Power Fund. Total equity decreased to \$100.0 million at June 30, 2019 compared with \$104.9 million at December 31, 2018 due to the incurrence of a net loss, the declaration of dividends and share repurchases.

Total revenues in the three and six months ended June 30, 2019 were \$11.0 million and \$7.0 million, respectively, compared to \$9.0 million and \$14.3 million, respectively, in the three and six months ended June 30, 2018. For the three months ended June 30, 2019, the year-over-year increase in the net gain on investments more than offset decreases in each of interest revenue and fees and other income. For the six months ended June 30, 2019, the year-over-year increase in the net loss on investments more than offset increases in each of interest revenue and fees and other income over the same period. Total revenues excluding the net loss on investments were \$17.0 million in the six months ended June 30, 2019 compared to \$13.7 million in the comparable six-month period in 2018.

Interest revenue in the three and six months ended June 30, 2019 was \$5.7 million and \$13.7 million, respectively (2018 - \$6.3 million and \$11.8 million, respectively). Interest revenue decreased in the three months ended June 30, 2019 compared with the prior-year period primarily due to lower interest earned by Crown Partners Fund resulting from a lower average level of interest-yielding investments. Interest revenue increased in the six months ended June 30, 2019 compared with the prior-year period primarily due both to interest earned on additional investments made by Crown Private Credit Fund and to interest revenue of \$1.7 million recognized in relation to the repayment of the BGO and Baylin loans.

Fees and other income for the three and six months ended June 30, 2019 were \$0.8 million and \$2.4 million, respectively, compared to \$1.6 million and \$1.8 million, respectively, in the comparable three- and six-month periods in 2018. For the three months ended June 30, 2019, fees and other income were lower than the comparable prior-year period, mainly due to revenue earned in respect of the repayment of the Petrowest loan in the prior-year period. Fees and other income for the six months ended June 30, 2019 were higher than the comparable prior-year period due to the inclusion of fees recognized in relation to the repayment of the BGO and Baylin loan investments. Note that under IFRS 9 “*Financial Instruments*” (“**IFRS 9**”), fees received in relation to loans carried at amortized cost are deferred and amortized into interest revenue calculated using the effective interest rate method. Fees deferred in this manner, including fees received in cash and fees capitalized to loan principal value, totaled \$1.3 million, in the three and six months ended June 30, 2019 (2018 - \$0.9 million and 1.6 million, respectively).

For the three and six months ended June 30, 2019, the net gain (loss) on investments was \$4.4 million and \$(9.1) million, respectively, compared with \$1.1 million and \$0.7 million, respectively, in the three and six months ended June 30, 2018. The net realized gain from investments of \$0.9 million for the six months

ended June 30, 2019 relates to the Baylin loan repayment. The largest contributor to the net change in unrealized gains (losses) of investments in the three and six months ended June 30, 2019 of \$4.4 million and \$(10.0) million, respectively, was change in the carrying value of the Solo investment. Management's recovery efforts in the second quarter with respect to the Solo investment resulted in an expected recovery of \$4.0 million, reducing the unrealized loss on this investment for the six months to \$11.6 million.

In the three months ended June 30, 2019, the net change in unrealized gains, other than the net unrealized gain related to Solo, was also attributable to a net increase in the carrying value of loans carried at FVTPL, including a \$1.2 million gain recognized in respect of the Canadian Helicopters investment, partially offset by a net reduction in the aggregate carrying value of equity-related investments. In the six months ended June 30, 2019, the most significant contributors to the net change in unrealized gains other than the net unrealized loss recognized in relation to the Solo investment were increases in the fair values of the Touchstone and Triple Five royalties resulting mainly from the extension of their respective terms, a reversal of a net unrealized gain in relation to the repayment of the BGO loan which was more than offset by amounts included in interest revenue in the period in relation to this repayment, a net reduction in the aggregate fair value of other equity-related investments, a net increase in the aggregate fair value of loan investments carried at FVTPL, and unrealized gains recognized in relation to the restructuring of the terms of three loans measured at amortized cost.

Expenses in the three and six months ended June 30, 2019 were \$3.6 million and \$7.8 million, respectively, compared with \$2.5 million and \$4.4 million, respectively, in the three and six months ended June 30, 2018. For the three months ended June 30, 2019, the year-over-year increase relates primarily to higher general and administration expense, due in turn to a non-recurring increase in both legal fees and GST/HST expense, and higher finance costs resulting from a higher average level of outstanding debt, partially offset by a decrease in share-based compensation expense. In addition to the above-noted factors, a \$3.0 million provision for bad debt recognized in relation to amounts owing from an operating partner affiliated with Crown Power, partially offset by a \$1.0 million decrease in the level of performance bonus expense, also contributed to a year-over-year increase in expenses for the six months ended June 30, 2019.

In the three and six months ended June 30, 2019, net income (loss) and comprehensive income (loss) attributable to Shareholders was \$2.3 million and \$(1.7) million, respectively, compared with \$2.0 million and \$2.9 million, respectively, in the three and six months ended June 30, 2018. Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the three months ended June 30, 2019 was higher as a result of increased amounts attributable to shareholders from net unrealized gains on investments, offset by lower interest revenue and fee income attributable to shareholders relative to the comparable prior-year period. Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the six months ended June 30, 2019 was lower due primarily to both an \$11.6 million unrealized loss recognized in relation to the Solo investment and a \$3.0 million provision for bad debt recognized in relation to amounts owing from an operating partner affiliated with Crown Power Fund, which had an aggregate after-tax impact of \$(5.0) million.

Crown consolidates 100% of its approximate 37.0% effective interest in Crown Partners Fund (June 30, 2018 – 36.5%; December 31, 2018 – 37.0%), its approximate 43.2% interest in Crown Power Fund (June 30, 2018 – 100%; December 31, 2018 – 100%) and its 100% interest in Crown Private Credit Fund and

reflects the interests of other investors in these funds as non-controlling interests. Crown holds its interests in Crown Partners Fund, Crown Power Fund and Crown Private Credit Fund through CCFC, a 100%-owned subsidiary. Crown's 100%-owned subsidiaries CCF III, Crown Partners Fund GP and Crown Power GP are the general partners and managers of NCOF LP, Crown Partners Fund and Crown Power Fund, respectively.

The financial results of the Corporation as at and for the three and six months ended June 30, 2019 discussed in this MD&A include the results of operations of CCFC, Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund, CCF III, Crown Partners Fund GP and Crown Power GP.

Business Overview

Crown is a specialty finance company focused on providing capital to successful Canadian companies and select U.S. companies seeking alternative financing solutions compared to those provided by traditional capital providers such as banks and private equity funds. Crown also manages capital pools, including some in which Crown has controlling ownership interests. Crown originates, structures and provides tailored special situation and long-term financing solutions to a diversified group of private and public mid-market companies in the form of loans, royalties, and other structures with minimal or no ownership dilution. These financing solutions allow business owners to retain the vast majority of the economic rewards associated with the ownership of their respective businesses.

Crown's revenue sources include interest revenue, transaction fees and realized and unrealized gains on investments made by its consolidated investment funds Crown Partners Fund and Crown Private Credit Fund.

Through its partially-owned subsidiary Crown Partners Fund, Crown offers special situations financing solutions to businesses for transitory capital requirements, generally in the form of short- and medium-term senior or subordinated loans ("**Special Situations Financing**").

Crown also deploys its capital through its wholly-owned subsidiary, Crown Private Credit Fund, to clients seeking non-dilutive, long-term capital, generally in the form of traditional interest-bearing loans and royalties ("**Long-Term Financing**").

Crown is also deploying capital through its partially-owned subsidiary Crown Power Fund, an investment fund established in June 2018 to invest directly in power generation assets that provide electricity under long-term contracts to mid- to large-scale electricity users ("**Distributed Power**"). As at June 30, 2019, Crown Power Fund had advanced \$10.5 million to suppliers and contractors in relation to the construction of power generation assets that are not yet operational.

Crown, which was founded by Crown Life Insurance Company and owned by it until 2002, completed an initial public offering ("**IPO**") in 2015 and its Common Shares trade on the Toronto Stock Exchange under the symbol TSX:CRWN.

Portfolio at June 30, 2019

At June 30, 2019, Crown held ownership interests in 15 loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2018 ⁽¹⁾	Loan Principal Amount Outstanding at June 30, 2019 ⁽¹⁾	Attributable at June 30, 2019 to:		Status
			Shareholders	Non-controlling interests	
Special Situations Financing transactions					
BGO	\$15,000,000	N/A	N/A	N/A	N/A
Touchstone ²	\$15,000,000	\$15,000,000	\$5,546,320	\$9,453,680	Current
Source ³	\$12,428,000	\$12,428,000	\$4,595,311	\$7,832,689	Current
Solo ³	\$15,000,000	\$18,573,092	\$6,867,487	\$11,705,605	In Default
Ferus ²	\$25,000,000	\$25,000,000	\$9,243,867	\$15,756,133	Current
RBee ^{2, 4}	\$17,414,343	\$17,414,343	\$6,439,035	\$10,975,308	Current
Active ³	\$7,000,000	\$7,000,000	\$2,588,283	\$4,411,717	Current
Canadian Helicopters ³	\$8,000,000	\$8,000,000	\$2,958,037	\$5,041,963	Current
Baylin ⁵	\$30,000,000	N/A	N/A	N/A	N/A
Data Communications ²	\$12,000,000	\$12,000,000	\$4,437,056	\$7,562,944	Current
Persta ²	\$20,000,000	\$20,000,000	\$7,395,093	\$12,604,907	Current
Triple Five ²	\$15,000,000	\$20,000,000	\$7,395,093	\$12,604,907	Current
VIQ Solutions ²	\$8,935,000	\$8,935,000	\$3,303,758	\$5,631,242	Current
Rokstad Power ³	N/A	\$15,500,000	\$5,731,197	\$9,768,803	Current
Long-Term Financing transactions					
PenEquity ²	\$25,000,000	\$25,000,000	\$25,000,000	Nil	In Arrears
Mill Street ³	\$10,000,000	\$10,000,000	\$10,000,000	Nil	Current
WireIE ²	\$6,492,758	\$7,591,411	\$7,591,411	Nil	Current

Notes: (1) Loan principal amounts represent the Corporation's interest in the par value of each loan. For all loans, only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's June 30, 2019 condensed consolidated interim financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at June 30, 2019, the loan component of this investment is carried at amortized cost. (3) As at June 30, 2019, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at June 30, 2019 was \$18.8 million, of which \$1.4 million was held by a third party. (5) The total size of the Baylin loan was \$33 million of which \$3 million was syndicated in equal parts to two third parties.

In accordance with IFRS 9, the Corporation measures some of its debt investments at amortized cost and others at FVTPL. Crown's business model generally involves holding debt investments with the objective of collecting contractual cash flows to maturity rather than holding to sell. The Corporation is therefore required to assess the contractual terms of the cash flows to determine appropriate classification and

measurement of its debt investments. Debt investments that give rise to cash flows that are solely payments of principal and interest are carried at amortized cost. Debt investments that give rise to cash flows that are other than solely payments of principal and interest (e.g., debt investments with contractual bonus interest payments) are carried at FVTPL. The current classification of each debt investment in the Corporation's investment portfolio is indicated in the above table.

In addition to the above loans, at June 30, 2019, Crown Partners Fund held ownership interests in 450,000 Medicare common share purchase warrants, 116,059 Source common shares, 4,400,000 Prairie Provident common shares, 1,063,830 VIQ Solutions common shares, 9,000,000 VIQ Solutions common share purchase warrants, 620,456 Baylin common share purchase warrants, 960,000 Data Communications common share purchase warrants, 8,000,000 Persta common share purchase warrants, warrants to acquire common shares of Ferus at nominal cost, a 46.3% common equity stake in RBee, a royalty agreement with a maturity date of November 23, 2023 entitling it to payment of 1% of Touchstone's gross revenue from production, and a royalty agreement with a maturity date of March 12, 2022 entitling it to payment of 1.33% of Triple Five's gross revenue from production. In addition to these investments owned by Crown Partners Fund, the Corporation also owned 1,063,829 VIQ Solutions common shares and warrants to acquire common shares of Wire IE at nominal cost.

In addition to the aforementioned portfolio of debt and equity-related investments, Crown Power Fund has also invested \$10.5 million as at June 30, 2019 in equipment under development and related deposits. These investments relate to advances made in respect of the acquisition and installation of electricity-generating assets that are not yet operational as of June 30, 2019.

Loan Risk Rating

Crown monitors the performance and health of each borrower as well as the overall performance and health of the portfolio. As part of this process, Crown utilizes a proprietary credit evaluation model to ascribe a risk rating to each loan Crown manages. As outlined in the table below, the credit evaluation model reviews five primary categories (i.e. financial, business, industry, security and marketability) and over fifty sub-categories (e.g. profitability, leverage, liquidity, management, customers, operations, employees, suppliers, competitors, business cycle, asset coverage, condition of assets, etc.). A point value and weighting is assigned to each sub-category and an overall point score is determined. A risk rating of 1.0 is the best possible rating and a 5.0 is the worst possible rating. The risk rating is determined during the initial underwriting process and is updated quarterly.

Financial	Business	Industry	Security	Marketability
Profitability <ul style="list-style-type: none"> • EBITDA (\$) • EBITDA (%) • EBITDA Growth (%) • Gross Margin (%) • Return on Capital (%) Leverage <ul style="list-style-type: none"> • Debt/EBITDA • Debt/Capital • Debt/EV Liquidity <ul style="list-style-type: none"> • Current Ratio • DSCR (EBITDA/P+I) • EBITDA interest coverage • Average Days A/P • Average Days A/R • Cash Coverage Size <ul style="list-style-type: none"> • Sales (\$) • Sales Growth (%) • Tangible Assets (\$) • Enterprise Value (\$) 	Management <ul style="list-style-type: none"> • Experience in industry • Competence • Investment Customers <ul style="list-style-type: none"> • Concentration • Reputation/Financial Strength • Stability • Dependence Operations <ul style="list-style-type: none"> • Plant Quality • Process Flow • Scalability • Capacity Employees <ul style="list-style-type: none"> • Turnover • Relations • Wage Level • Pool of Labour Suppliers <ul style="list-style-type: none"> • Diversification • Pricing Power • Reliability Shareholders <ul style="list-style-type: none"> • Alignment of Interests • Financial Capability • Stability 	Competitors Business Cycle History of Profitability International Trade Regulatory Restrictions	% of Security Coverage Assets <ul style="list-style-type: none"> • Condition • Obsolescence • Specialization Dependence on Unsecured Creditors	Business Investment

The risk rating assesses the overall risk of a loan. Risk encompasses both the potential incidence of default as well as the potential severity of loss relative to the amount invested if a default were to occur. An increasing risk rating implies that one or both of incidence and severity are increasing. A decreasing risk rating implies that one or both of incidence and severity are decreasing. There may also be situations where a risk rating is stable but incidence and severity are moving in different directions.

Similar to a financial ratio, the risk rating provides both a point-specific indication of the risk level of a loan as well as the trend of the risk level over a period of time. Crown's strategy is to provide loans to successful, cash flow-generating businesses. At the time of making a new loan investment, Crown generally expects the risk rating of the loan to improve over time as the borrower increases in value and pays down debt.

The following table sets forth the risk ratings assigned to each loan comprising the current loan portfolio as at the end of each quarter for the past eight quarters:

Loan Risk Ratings								
	June 30 2019	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017	September 30 2017
Special Situations Financing:								
Touchstone	2.03	2.07	2.07	2.09	2.28	2.61	2.73	2.75
Source	2.36	2.26	2.24	2.14	2.14	2.22	2.25	2.23
Solo	n/a	n/a	3.57	3.07	3.01	2.81	2.71	2.66
Ferus	3.02	2.96	2.93	2.86	2.92	2.86	2.98	2.74
RBee	2.69	2.59	2.69	2.79	2.68	2.68	2.68	n/a
Active	2.44	2.44	2.39	2.39	2.36	2.47	2.60	n/a
Canadian Helicopters	2.21	2.36	2.31	2.45	2.45	2.50	2.50	n/a
Data Communications	3.12	3.08	3.07	3.01	3.07	n/a	n/a	n/a
Persta	3.58	3.58	3.25	2.91	2.87	n/a	n/a	n/a
Triple Five	2.69	2.63	2.66	2.47	2.47	n/a	n/a	n/a
VIQ Solutions	2.47	2.42	2.27	n/a	n/a	n/a	n/a	n/a
Rokstad Power	2.74	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Long-Term Financing:								
PenEquity	2.98	2.97	2.88	2.77	2.53	2.54	2.47	2.42
Mill Street	2.82	2.82	2.61	2.61	2.51	n/a	n/a	n/a
WireIE	2.81	2.81	2.53	2.54	2.59	n/a	n/a	n/a

Note: A risk rating of 1.0 is the best possible rating and a 5.0 is the worst possible rating.

Portfolio Company Updates

The following tables set forth certain summary information in respect of loans held by Crown as at June 30, 2019. The information contained in the rows entitled “Business Description” has been developed from information provided by the applicable borrower. See “Forward-Looking Statements”, “Market and Industry Data” and “Risk Factors”.

Special Situations Financing

Touchstone Exploration Inc. (TSX: TXP)			
Business Description:	Headquartered in Calgary, Alberta, Touchstone is engaged in the exploration, development, and production of petroleum and natural gas. Touchstone’s primary focus is onshore oil production in the Republic of Trinidad and Tobago, where it has interests in approximately 90,000 gross acres of exploration and development rights.		
Industry:	Oil and Gas	Term:	84 months (extended from 60)
Investment Date:	November 23, 2016	Interest Rate:	8%
Current Capital Invested:	\$15 million	Bonus/Participation:	Royalty of 1% of gross revenue from production until November 23, 2023

Source Energy Services Canada (TSX: SHLE)			
Business Description:	Headquartered in Calgary, Alberta, Source is the leading provider of frac sand to the Western Canadian Sedimentary Basin. Source is vertically integrated with operations spanning the entire production and logistics chain, including the mining and processing of Northern White sand in Wisconsin, bulk rail and storage involving multiple transload terminals in Canada and the United States, and "last mile" logistic solutions including material handling services at the wellsite.		
Industry:	Energy Services	Term:	60 months
Investment Date:	December 8, 2016	Interest Rate:	10.5%
Current Capital Invested:	\$12.4 million of Senior Secured First Lien Notes (original investment \$15 million)	Bonus/Participation:	116,059 common shares
Solo Liquor Holdings Limited			
Business Description:	Solo is a Calgary, Alberta-based, privately-owned company previously engaged in the retail sale of liquor. On May 1, 2019, the senior lender to Solo demanded immediate repayment of amounts owing, leading to the appointment of a receiver. In May 2019, in connection with its efforts to recover on its loan through the sale and/or liquidation of related security, Crown Partners Fund advanced \$13.6 million to acquire the outstanding senior debt of Solo, of which \$10.0 million had been recovered as at June 30, 2019. Crown Partners Fund anticipates additional net recovery totaling approximately \$7.6 million in relation to its investment in Solo.		
Industry:	Retail	Term:	N/A
Investment Date:	February 24, 2017	Interest Rate:	N/A
Expected Recovery Value:	\$7.6 million	Bonus/Participation:	N/A
Ferus Inc.			
Business Description:	Headquartered in Calgary, Alberta, Ferus is the leading provider of industrial gases to the energy sector in the Western Canadian Sedimentary Basin. As an integrated supplier of nitrogen and carbon dioxide for the energized fracturing industry, Ferus owns and operates numerous production plants, tractor-trailer units, and fixed and portable storage units. Ferus' logistics fleet is designed to meet the demanding off-road requirements of the oil and gas industry. Energized hydraulic fracturing involves the use of cryogenic products to increase energy content and reduce water use in well fracturing, resulting in superior hydrocarbon recovery, reduced chemical and water requirements and decreased water disposal costs.		
Industry:	Energy Services	Term:	60 months
Investment Date:	June 27, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$25 million	Bonus/Participation:	Nominal cost share purchase warrants
RBee Aggregate Consulting Ltd.			
Business Description:	Headquartered in Gibbons, Alberta, RBee has one of the largest mobile crushing fleets in Western Canada. With over 35 years of experience, previously operating as RBee Crushing, RBee offers its expertise to municipal and provincial governments, independent gravel pit owners and both private and public companies. RBee is 50%-owned by each of the management of RBee and a lending syndicate comprised of Crown Partners Fund (approximate interest in RBee of 46.3%) and a syndicate partner (approximate interest in RBee of 3.7%).		
Industry:	Industrial Services	Term:	Payable on demand
Investment Date:	November 1, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$17.4 million	Bonus/Participation:	46.3% common equity interest

Active Exhaust Corp.			
Business Description:	Headquartered in Toronto, Ontario, Active is a manufacturer of complete exhaust systems and components for major global original equipment manufacturers (“OEMs”) operating in the off-road equipment sector. Active has a 180,000 square foot manufacturing facility in Toronto as well as manufacturing operations in China and India through majority-owned joint ventures. For over 50 years, Active has designed and manufactured industry leading exhaust systems, ranging from standard mufflers to custom-engineered exhaust and emission solutions to meet environmental demands. Active sells its products to leading OEMs in four primary categories: agriculture, commercial turf care, construction, and ATV/utility vehicles.		
Industry:	Manufacturing	Term:	66 months
Investment Date:	December 21, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$7 million	Bonus/Participation:	Share of increase in enterprise value from date of loan to repayment
Canadian Helicopters Limited			
Business Description:	Headquartered in Montreal, Quebec, Canadian Helicopters is the largest helicopter transportation services company operating in Canada with a network of 25 strategically located bases capable of providing operations in every geographical region in Canada. Canadian Helicopters operates over 90 light, medium, and heavy lift helicopters and, in addition to charter services, provides flight training and helicopter repair and maintenance services. Canadian Helicopters provides helicopter transportation services to a diverse array of clients including onshore and offshore oil and gas, military support, mineral exploration, hydro/utilities, forest management, construction, air ambulance, and search and rescue. Effective July 26, 2019, Canadian Helicopters repaid its loan in full, including the loan principal value of \$8 million plus interest, a prepayment fee and a bonus payment.		
Industry:	Transportation	Term:	60 months
Investment Date:	December 27, 2017	Interest Rate:	10%
Current Capital Invested:	\$8 million	Bonus/Participation:	Share of increase in enterprise value from date of loan to repayment
Data Communications Management Corporation (TSX: DCM)			
Business Description:	Headquartered in Brampton, Ontario, Data Communications is the largest integrated business communications solutions provider in Canada, with clients in key verticals such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy. Data Communications' core service offering includes commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfillment, direct marketing, content and workflow management, data management and analytics, and regulatory communications.		
Industry:	Business Services	Term:	60 months
Investment Date:	May 8, 2018	Interest Rate:	10%
Current Capital Invested:	\$12 million	Bonus/Participation:	960,000 warrants
Persta Resources Inc. (HKEX: stock code 3395)			
Business Description:	Persta is a Calgary, Alberta-based oil and gas exploration and development company focused on liquids-rich gas and light crude oil in Western Canada. Its three core areas comprise Alberta Foothills liquids-rich natural gas properties, Deep Basin Devonian natural gas properties and Peace River light oil properties. Persta was founded in 2005 and was one of the first oil and gas companies to target the Spirit River/Wilrich zones in the Alberta foothills.		
Industry:	Oil and Gas	Term:	60 months
Investment Date:	May 15, 2018	Interest Rate:	12%
Current Capital Invested:	\$20 million	Bonus/Participation:	8,000,000 warrants

Triple Five Intercontinental Group Ltd.			
Business Description:	Headquartered in Calgary, Alberta, Triple Five is engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Triple Five's core operation is located in Alberta's Sunchild First Nation Reserve within the Deep Basin fairway in west central Alberta, where the Company has a 100% working interest in 20 contiguous sections of land (approximately 12,800 net acres). All of its production is from the Spirit River zone (Falher A and B). The area surrounding the Sunchild First Nation is controlled by several high profile oil and gas companies including Bellatrix, Cenovus, TAQA, Peyto, Westbrick and Vermillion.		
Industry:	Oil and Gas	Term:	Approximately 42 months
Investment Date:	August 31, 2018	Interest Rate:	10.5%
Current Capital Invested:	\$20 million (original investment \$15 million)	Bonus/Participation:	Royalty of 1.33% of gross revenue from production until March 12, 2022
VIQ Solutions Inc. (TSXV: VQS)			
Business Description:	Headquartered in Mississauga, Ontario, VIQ Solutions is engaged in the transcription services industry with a leading global technology platform offering ultra-secure digital media capture, workflow management and analytics to customers in its key verticals of transcription, insurance, judicial, hearings, legal, healthcare and public safety. Its purpose-built solutions are used in over 25 countries with tens of thousands of users in government and private agencies.		
Industry:	Business Services	Term:	60 months
Investment Date:	November 28, 2018	Interest Rate:	10%
Current Capital Invested:	\$8.9 million (total commitment: \$15 million)	Bonus/Participation:	2,127,659 common shares and 9,000,000 warrants
Rokstad Holdings Corporation			
Business Description:	Headquartered in Coquitlam, British Columbia, Rokstad is a privately held company that provides power line construction and maintenance services to customers across North America. Founded in 2008, Rokstad offers a full suite of power line services, including emergency and storm response, transmission and distribution line construction and maintenance and underground cable services. Rokstad is also a specialist in live line construction methods for distribution and transmission line projects. With operations throughout Canada and the United States, Rokstad has successfully grown from a mid-size contractor to one of the largest power line contractors in North America. The company's largest markets are British Columbia, California and Arizona.		
Industry:	Industrial Services	Term:	60 months
Investment Date:	April 26, 2019	Interest Rate:	Not disclosed
Current Capital Invested:	\$15.5 million (total commitment: \$25 million)	Bonus/Participation:	Share of increase in equity value from date of loan to repayment

Long-Term Financing

PenEquity Realty Corporation			
Business Description:	Headquartered in Toronto, Ontario, PenEquity is a privately-owned property management and real estate development company, operating primarily in the retail sector with a focus on grocery-anchored retail plazas. Since its inception in 1984, PenEquity has completed over 20 development projects. PenEquity has established strong relationships with partners and key tenants and has been successful in attracting large, high-quality, financially-stable tenants. PenEquity currently has a portfolio of six development projects in its pipeline, which are primarily grocery-anchored community retail plazas. Two of the projects are in Barrie, with the others in Stoney Creek, Brampton, London and Kanata. PenEquity expects to develop and realize on these projects over the next five years.		
Industry:	Real Estate Development	Term:	120 months
Investment Date:	December 15, 2015	Interest Rate:	Not disclosed
Current Capital Invested:	\$25 million	Bonus/Participation:	None
Mill Street & Co. Inc.			
Business Description:	Headquartered in Thornhill, Ontario, Mill Street is a diversified investment company that has majority ownership stakes in nine operating companies across four industry platforms: construction services, building supply, wholesale & logistics and financial services. Mill Street's core value proposition to an entrepreneur is to provide them with both a succession plan and liquidity by acquiring up to 100% of their business. Mill Street seeks to acquire controlling interests in operating companies and typically structures transactions that result in vendors retaining equity positions of approximately 20%, which serves to keep them engaged in their businesses post-acquisition and promotes successful transitions.		
Industry:	Diversified	Term:	120 months
Investment Date:	May 16, 2018	Interest Rate:	5-year Govt. of Canada yield plus 10% (12% minimum)
Current Capital Invested:	\$10 million	Bonus/Participation:	Share of increase in equity value from date of loan to repayment
WireE (Canada) Inc.			
Business Description:	Headquartered in Richmond Hill, Ontario, WireE is a telecom infrastructure company that specializes in the deployment and management of carrier-grade telecom services across Canada, and internationally, to underserved communities in rural and remote areas. WireE builds, owns and operates data networks for its blue-chip customers in the telecom carrier, oil and gas, utility and government industries. Individual network circuits are contracted to customers for between one to four years with contracts structured to provide fixed monthly payments. Since its inception in 2007, WireE has developed 160,000 miles of network interfacing for underserved markets, providing end users with secure, high quality reliable networks typically found only in densely populated areas with existing infrastructure. Effective July 15, 2019, Crown acquired WireE Holdings International Inc. and its wholly-owned subsidiaries, WireE (Canada) Inc. and WireE (Development) Inc., by way of an acquisition of all debt and equity for a nominal amount on closing and a performance-based earn-out payment of up to \$5 million.		
Industry:	Telecom Infrastructure	Term:	120 months
Investment Date:	May 23, 2018	Interest Rate:	Not disclosed
Current Capital Invested:	\$7.6 million (total commitment: \$10 million)	Bonus/Participation:	Nominal cost share purchase warrants

The loans to Source, Solo, Ferus, Active, Canadian Helicopters, Data Communications, Persta and VIQ Solutions are payable by way of a single payment due at the end of the respective terms. Principal payments on the Touchstone loan commence on January 1, 2021 in the amount of \$810,000 per quarter. The RBee loan is payable upon demand. Principal repayments on the Triple Five loan commence on

September 1, 2019 in the amount of \$475,000 per month. Principal repayments on the Rokstad Power loan commence on April 1, 2021 in the amount of \$275,000 per month. Annual principal payments of \$2.5 million on the PenEquity loan commence on December 31, 2021. Principal payments on the Mill Street loan commence on May 1, 2023 in the amount of \$100,000 per month. Principal payments on the WireE loan are payable monthly and are variable based on the levels of residual cash flow, after deducting certain operating costs in respect of underlying customer contracts and interest payments in respect of the loan, generated by underlying customer contracts.

Outlook

Management continues to place a high priority on new originations of Special Situations Financing, on building out assets in Crown Power Fund and on securing additional third-party funding commitments to help finance additional investment in each of these two segments. As the Corporation intends to focus its investment activity primarily in these two areas, it intends to place less emphasis on sourcing Long-Term Financing transactions. Market conditions for deploying capital in Crown's special situations market segment are currently softer than usual due to a heightened level of competition from traditional finance providers, which has resulted in a contraction in the pipeline of potential transactions. The pipeline of potential transactions in the Distributed Power market is strong.

Crown is focused on segments of the market where there is an ongoing funding gap. This gap is more pronounced during periods in the cycle when many traditional capital providers pull back. As Crown continues to execute its plan and to deploy capital in new originations, it expects to generate growing cash flow and build long-term value for Shareholders.

Considering the Corporation's working capital, the \$103.0 million of committed capital available to Crown Partners Fund and Crown Power Fund from parties other than Crown, and the undrawn balances of the credit facilities of each of Crown and Crown Partners Fund, at June 30, 2019, the Corporation had access to up to approximately \$169.7 million to fund additional investments.

Quarterly Results Summary

The following table provides selected quarterly information about the Corporation's financial condition and performance for the period from July 1, 2017 to June 30, 2019.

Quarterly Results Summary (In \$000s except per share amounts and number of shares)	Three Months Ended							
	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
	2019 ¹	2019 ¹	2018 ¹	2018 ¹	2018 ¹	2018 ¹	2017	2017
Revenue:								
Interest revenue	\$ 5,714	\$ 7,963	\$ 7,585	\$ 7,170	\$ 6,274	\$ 5,563	\$ 5,487	\$ 4,816
Fees and other income	806	1,576	1,497	208	1,636	199	1,888	141
Net realized gain/(loss) on sale of investments	-	930	-	-	222	-	1,144	(1,086)
Net change in unrealized gains in fair value of investments	4,436	(14,439)	1,326	542	902	(458)	417	1,731
Total revenue	\$ 10,956	\$ (3,970)	\$ 10,408	\$ 7,920	\$ 9,034	\$ 5,304	\$ 8,936	\$ 5,602
Total comprehensive income (loss), net of non-controlling interests	\$ 2,254	\$ (3,988)	\$ 2,373	\$ 1,808	\$ 1,970	\$ 900	\$ 2,112	\$ 1,113
Weighted average shares outstanding - basic	9,598,620	9,613,379	9,620,530	9,597,456	9,467,790	9,496,786	9,520,611	9,538,188
Total comprehensive income (loss) per share - basic	\$ 0.23	\$ (0.41)	\$ 0.25	\$ 0.19	\$ 0.21	\$ 0.09	\$ 0.22	\$ 0.12
Weighted average shares outstanding - diluted	9,708,012	9,729,605	9,759,027	9,734,031	9,839,266	9,858,898	9,837,088	9,848,924
Total comprehensive income (loss) per share - diluted	\$ 0.23	\$ (0.41)	\$ 0.24	\$ 0.19	\$ 0.20	\$ 0.09	\$ 0.21	\$ 0.11
Adjusted Funds from Operations ²	1,855	627	3,893	3,140	3,616	2,181	3,328	1,580
Adjusted Funds from Operations per share - basic ²	0.19	0.07	0.40	0.33	0.38	0.23	0.35	0.17
Investments	\$ 219,799	\$ 194,417	\$ 246,862	\$ 264,923	\$ 242,954	\$ 208,289	\$ 181,302	\$ 194,742
Total assets	\$ 265,709	\$ 263,607	\$ 275,921	\$ 288,176	\$ 277,115	\$ 225,159	\$ 229,050	\$ 216,284
Total equity	\$ 99,987	\$ 99,301	\$ 104,892	\$ 103,896	\$ 104,314	\$ 103,166	\$ 104,449	\$ 103,492
Shares outstanding at the end of the period	9,589,962	9,610,827	9,616,555	9,624,855	9,461,372	9,484,167	9,510,017	9,540,575
Total equity per share - basic	\$ 10.43	\$ 10.33	\$ 10.91	\$ 10.79	\$ 11.03	\$ 10.88	\$ 10.98	\$ 10.85
Note:								
	1. Results as at and for these periods reflect the adoption of IFRS 9 effective January 1, 2018, which was applied on a retrospective basis, and are therefore not comparable to the results of prior periods which were not restated.							
	2. The Corporation has included a reconciliation of earnings before income taxes to Adjusted EBIT and Adjusted Funds from Operations in the "Non-IFRS Measures" section of the MD&A.							

A range of factors impact quarterly variances. Major factors affecting quarterly variances in fees and other income include new investment transactions, amendments to investment agreements, loan prepayments completed in a quarter and the adoption of IFRS 9 on January 1, 2018. The main factors affecting quarterly variances in interest revenue are completion of new investment transactions and loan repayments in a quarter. Factors affecting realized and unrealized gains and losses include changes in the fair value of loan investments caused by variations in benchmark interest rates and/or the credit status of portfolio companies as well as variations in market prices for publicly-traded equity securities and estimated fair value of other equity securities held in the portfolio. Changes in Crown's percentage ownership interest in a fund due to additional subscriptions from Crown and/or additional subscriptions from non-controlling interests impact total comprehensive income, net of non-controlling interests.

Discussion of Operations

Revenues

Revenues of \$11.0 million and \$7.0 million, respectively, were recognized in the three and six months ended June 30, 2019 (2018 – \$9.0 million and \$14.3 million, respectively), including, for the six months ended June 30, 2019, an \$(11.6) million unrealized loss recognized in relation to a reduction in the carrying value of the Solo investment, which contributed to a \$(10.0) million net reduction in unrealized gains (losses) of investments in the period (2018 - \$0.4 million). The unrealized loss recognized with respect to the Solo investment more than offset increases in each of interest revenue, fees and other income, and net realized gains from investments compared with the same period in the prior year.

Fees and Other Income

Fees and other income in the three and six months ended June 30, 2019 were \$0.8 million and \$2.4 million, respectively (2018 - \$1.6 million and \$1.8 million, respectively). The following table provides an overview of the total fees and other income attributable to Shareholders and non-controlling interests.

Fees and Other Income (In \$000s)	Three Months Ended June 30,		Six Months Ended June 30,		Attributable to:						
	2019	2018	2019	2018	Shareholders		Non-controlling interests				
					Three Months 2019	Six Months 2019	Three Months 2019	Twelve Months 2019			
Transaction fees and other income received:											
Special Situations Financing:											
Transaction fees - Crown	\$ 250	\$ 370	\$ 250	\$ 700	\$ 250	\$ 250	100.0%	\$ -	\$ -	0.0%	
Transaction fees - Crown Partners Fund	250	520	250	935	93	93	37.0%	157	157	63.0%	
Other income - Crown Partners Fund	258	1,243	3,041	1,335	95	1,125	37.0%	163	1,916	63.0%	
Other income - Crown Power Fund	14	-	14	-	6	6	43.16%	8	8	56.8%	
Subtotal	772	2,133	3,555	2,970	444	1,474		328	2,081		
Long-Term Financing:											
Transaction fees - Crown Private Credit Fund	-	300	-	300	-	-	100.0%	-	-	0.0%	
Total transaction fees and other income received	772	2,433	3,555	3,270	444	1,474		328	2,081		
Less: Transaction fees deferred in relation to investments carried at amortized cost:											
Transaction fees - Crown	-	(370)	-	(670)	-	-	100.0%	-	-	0.0%	
Transaction fees - Crown Partners Fund	-	(520)	-	(935)	-	-	37.0%	-	-	63.0%	
Other income - Crown Partners Fund	-	-	(1,250)	-	-	(463)	37.0%	-	(787)	63.0%	
Transaction fees - Crown Private Credit Fund	-	-	-	-	-	-	100.0%	-	-	0.0%	
Total transaction fees and other income recognized	772	1,543	2,305	1,665	444	1,011		328	1,294		
Other interest income ¹	34	61	77	105	34	77	100.0%	-	-	0.0%	
Management fee revenue ²	-	32	-	65	-	-	100.0%	-	-	0.0%	
Total fees and other income	\$ 806	\$ 1,636	\$ 2,382	\$ 1,835	\$ 478	\$ 1,088		\$ 328	\$ 1,294		

Notes:

- Other interest income is comprised of interest earned on cash and cash equivalents and on share purchase loans.
- Management fee revenue excludes fees charged to Crown Partners Fund, which are eliminated on consolidation. Management fees charged to Crown Partners Fund in the three and six months ended June 30, 2019 were \$595 and \$1,265, respectively (June 30, 2018 - \$660 and \$1,269, respectively). For the three and six months ended June 30, 2019, management fees charged on the portion of contributed capital from non-controlling interests were \$375 and \$797, respectively (June 30, 2018 - \$419 and \$805, respectively).

The Corporation may receive transaction fees and other income when loans are initially made, when loans are repaid prior to maturity and in other instances, for example, for providing amendments, waivers, consents or forbearance agreements. Also included in transaction fees and other income are revenues earned in respect of royalty arrangements by Crown Partners Fund. For the three and six months ended June 30, 2019, transaction fees and other income totaled \$0.8 million and \$2.3 million, respectively (2018 - \$1.5 million and \$1.7 million, respectively). For the three months ended June 30, 2019, transaction fees and other income were lower than the comparable prior-year period, mainly due to revenue earned in respect of the repayment of the Petrowest loan in the prior-year period. Transaction fees and other income for the six months ended June 30, 2019 were higher than the comparable prior-year period due to the inclusion of fees recognized in relation to the repayment of the BGO and Baylin loan investments. In the three and six months ended June 30 2019, the Corporation received other fees totaling \$nil and \$0.3 million, respectively, and capitalized an additional \$nil and \$1.0 million, respectively, of other fees to loan principal value (2018 - \$0.9 million and \$1.6 million, respectively, in total) in relation to loans carried at amortized cost, which were not recognized as fee income in the periods.

The Corporation earns investment management fees pursuant to management agreements. The base annual management fee for Crown Partners Fund is equal to 1.75% of invested capital, as defined in the limited partnership agreement for this fund, less any capital distributions and realized losses. The base annual management fee for Crown Power Fund is equal to 1.0% of total capital, as defined in the limited partnership agreement for this fund, which includes the sum of invested capital net of capital distributions and realized losses plus funded debt that has been invested into qualifying investments, also as defined in the limited partnership agreement. Crown provides certain limited partners with management fee discounts and Crown may voluntarily reduce its management fees such that the effective annualized management fee rates earned by Crown from these two funds are lower than the base rates specified above. Crown has voluntarily waived management fees in respect of Crown Power Fund since its inception

and intends to continue waiving these fees for an undetermined period through this fund's early development phase.

On consolidation, 100% of management fees earned from Crown Partners Fund are eliminated against the management fees expensed by this fund. The non-controlling interests of Crown Partners Fund incur approximately 63.0% (63.5% from July 1, 2017 to June 30, 2018; 62.9% from July 1, 2018 to September 30, 2018) of the management fees while Crown effectively pays itself for the remaining 37.0% as a result of its ownership interests (see also Related Party Transactions).

Interest Revenue

The following table provides an overview of interest revenue attributable to Shareholders and the non-controlling interests.

Interest Revenue (In \$000s)	Three Months Ended June 30,		Six Months Ended June 30,		Attributable to:						
	2019	2018	2019	2018	Shareholders			Non-controlling interests			
					Three Months 2019	Six Months 2019		Three Months 2019	Six Months 2019		
Special Situations Financing:											
Crown Partners Fund	\$ 4,220	\$ 5,224	\$ 10,718	\$ 9,913	\$ 1,562	\$ 3,966	37.0%	\$ 2,658	\$ 6,752	63.0%	
Long-term Financing:											
Crown Private Credit Fund	1,494	1,050	2,959	1,924	1,494	2,959	100.0%	-	-	0.0%	
Total interest revenue	\$ 5,714	\$ 6,274	\$ 13,677	\$ 11,837	\$ 3,056	\$ 6,925		\$ 2,658	\$ 6,752		

Interest revenue in the three and six months ended June 30, 2019 was \$5.7 million and \$13.7 million, respectively (2018 - \$6.3 million and \$11.8 million, respectively). Interest revenue decreased in the three months ended June 30, 2019 compared with the prior-year period primarily due to lower interest earned by Crown Partners Fund resulting from a lower average level of interest-yielding investments. Interest revenue increased in the six months ended June 30, 2019 compared with the prior-year period primarily due both to interest earned on additional investments made by Crown Private Credit Fund and to interest revenue of \$1.7 million recognized in relation to the repayment of the BGO and Baylin loans. In accordance with IFRS 9, interest revenue on loan investments carried at amortized cost is calculated using the effective interest rate method and includes an amortization component which totaled \$0.9 million and \$2.2 million in the three and six months ended June 30, 2019 (2018 - \$0.4 million and \$0.7 million, respectively).

Net Gain (Loss) on Investments

The net gain (loss) on investments includes both net realized gains from investments and the net change in unrealized gains in the fair value of investments. Additional details are provided in the table below.

Net Gain (Loss) on Investments (In \$000s)	Three Months Ended June 30,		Six Months Ended June 30,		Attributable to:						
	2019	2018	2019	2018	Shareholders			Non-controlling interests			
					Three Months 2019	Six Months 2019		Three Months 2019	Six Months 2019		
Realized gains (losses):											
Special Situations Financing:											
Crown Partners Fund	\$ -	\$ 222	\$ 930	\$ 222	\$ -	\$ 344	37.0%	\$ -	\$ 586	63.0%	
sub-total - realized gains (losses)	-	222	930	222	-	344		-	586		
Unrealized gains (losses):											
Crown	11	-	-	-	11	-	100.0%	-	-	0.0%	
Special Situations Financing:											
Crown Partners Fund	4,299	818	(10,256)	360	1,591	(3,795)	37.0%	2,708	(6,461)	63.0%	
Long-term Financing:											
Crown Private Credit Fund	126	84	253	84	126	253	100.0%	-	-	0.0%	
sub-total - unrealized gains (losses)	4,436	902	(10,003)	444	1,728	(3,542)		2,708	(6,461)		
Total net gains on investments	\$ 4,436	\$ 1,124	\$ (9,073)	\$ 666	\$ 1,728	\$ (3,198)		\$ 2,708	\$ (5,875)		

The Corporation's net gain (loss) on investments in the three and six months ended June 30, 2019 totaled \$4.4 million and \$(9.1) million, respectively (2018 – \$1.1 million and \$0.7 million, respectively). For the three and six months ended June 30, 2019, \$1.7 million and \$(3.2) million, respectively, was attributable to Shareholders and \$2.7 million and \$(5.9) million, respectively, to non-controlling interests.

A net realized gain of \$0.9 million was recognized in the six months ended June 30, 2019 in relation to the repayment of the Baylin loan (2018 - \$0.2 million).

The net change in unrealized gains (losses) in fair value of investments for the three and six months ended June 30, 2019 was \$4.4 million and \$(10.0) million, respectively (2018 - \$0.9 million and \$0.4 million, respectively) including an unrealized gain (loss) recognized in relation to the carrying value of the Solo investment of \$4.0 million and \$(11.6) million, respectively.

Other than the net unrealized gain recognized in relation to the Solo investment, the net change in unrealized gains in the three months ended June 30, 2019 was also attributable to a net increase in the carrying value of loans carried at FVTPL, including a \$1.2 million gain recognized in respect of the Canadian Helicopters investment, partially offset by a net reduction in the aggregate carrying value of equity-related investments.

Other than the net unrealized loss recognized in relation to the Solo investment, the most significant contributors to the net change in unrealized gains in the six months ended June 30, 2019 were increases in the fair values of the Touchstone and Triple Five royalties resulting mainly from the extension of their respective terms, a reversal of a net unrealized gain in relation to the repayment of the BGO loan which was more than offset by amounts included in interest revenue in the period in relation to this repayment, a net reduction in the aggregate fair value of other equity-related investments, a net increase in the aggregate fair value of loan investments carried at FVTPL, and unrealized gains recognized in relation to the restructuring of the terms of three loans measured at amortized cost.

In accordance with IFRS 9, unrealized gains (losses) are not recognized in relation to investments carried at amortized cost unless the estimated timing and/or amount of cash receipts in relation to an investment are revised, in which case the gross carrying value of the investment is revised to equal the net present value of the revised cash flows discounted at the investment's previous effective interest rate. Unrealized gains totaling \$1.0 million were recognized in the six months ended June 30, 2019 in relation to the restructuring of the terms of three loans measured at amortized cost.

Expenses

Expenses in the three and six months ended June 30, 2019 totaled \$3.6 million and \$7.8 million, respectively (2018 - \$2.5 million and \$4.4 million, respectively), including a provision for bad debt of \$3.0 million in the six months ended June 30, 2019 (2018 - \$nil). Operating costs are primarily fixed with the largest cost being employee compensation, including share-based compensation, amounts accrued for annual employee bonuses and accruals for performance bonus expense. Finance costs vary primarily in relation to the average level of outstanding debt and the levels of applicable interest rates.

Salaries, Management Fees and Benefits

Salaries, management fees and benefits expense totaled \$1.0 million and \$1.6 million, respectively, in the three and six months ended June 30, 2019 (2018 - \$0.8 million and \$1.5 million, respectively). Compared to the same periods in 2018, the increase in salaries, management fees and benefits expense in the three- and six-month periods ended June 30, 2019 was due primarily to an increase in the number of employees, with the increase in the six-month period partially offset by a lower accrual for annual employee bonuses.

Share-based Compensation

Share-based compensation expense is recognized over the expected vesting period of each award. Share-based compensation totaled \$0.1 million and \$0.3 million, respectively, in the three and six months ended June 30, 2019 (2018 - \$0.5 million and \$1.0 million, respectively), with the reduction due mainly to the vesting in July 2018 of Transition Restricted Share Units that had been issued in 2015, as well as to a reduction in the number of Restricted Share Units and Performance Share Units outstanding.

General and Administration

General and administration expenses totaled \$1.2 million and \$1.7 million, respectively, in the three and six months ended June 30, 2019 (2018 - \$0.6 million and \$1.0 million, respectively). General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. Compared with the prior-year period, general and administration expenses in the three and six months ended June 30, 2019 increased primarily due to higher legal costs incurred in relation to the Solo recovery process and other issues that management believes will be largely non-recurring in nature, and to an increase in GST/HST expense that relates primarily to an assessment in respect of which Crown has filed a formal notice of objection.

Performance Bonus Expense

The Corporation has asset performance bonus pool (“**APBP**”) arrangements for certain individuals, primarily employees (“**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.

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015 and will continue until the expiration of the investment fund’s term in 2024, subject to annual one-year extensions, with 50% of performance fees recognized by the fund allocated to employees. Subject to specified fund diversification and performance hurdles, advances on account of accrued performance fees may be paid

to APBP Participants on an annual basis. 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, all remaining accrued performance bonus amounts will be paid to APBP participants.

For the three and six months ended June 30, 2019, Crown recorded an expense/(recovery) of 0.5 million and \$(0.6) million, respectively, in relation to the provision for performance bonus (2018 – \$0.3 million and \$0.4 million, respectively), reflecting changes in the level of the accrued performance fee relating to Crown Partners Fund that was heavily influenced by changes in the carrying value of the investment in Solo.

To date, no amounts have been accrued and no units have been allocated in relation to the Crown Power Fund APBP.

Provision for Bad Debt

In the six months ended June 30, 2019, a provision for bad debt of \$3.0 million (2018 - \$nil) was recorded in relation to amounts owing from an operating partner affiliated with Crown Power, representing the gross amount of this receivable. This amount relates to advances from the Corporation that were used by the operating partner to fund unauthorized operating expenses. While the Corporation intends to pursue recovery of this amount, the related provision for bad debt reflects the Corporation's current assessment of the recoverability of this receivable.

As this expense was incurred directly by the Corporation rather than by its subsidiary Crown Power Fund, it is fully attributable to Shareholders. No amount was recorded in the three months ended June 30, 2019 with respect to the provision for bad debt.

Provision for Credit Losses

For debt investments carried at amortized cost, the Corporation determines loan-specific expected credit losses in accordance with IFRS 9 which, cumulatively, represent an allowance for credit losses that is deducted in determining the net amortized cost, and therefore the carrying value, of such loans. The provision for credit losses primarily reflects changes in the allowance for credit losses resulting from factors such as the addition or repayment of loans carried at amortized cost or revisions to the expected credit losses for existing loans carried at amortized cost. The provision for credit losses for the six months ended June 30, 2019 of \$0.04 million and \$0.2 million, respectively (2018 - \$0.03 million and \$0.06 million, respectively) relate primarily to the remeasurement of expected credit losses on existing loan investments, partially offset by a reduction in the provision due to a lower amount invested in loans carried at amortized cost.

Finance Costs

Finance costs totaled \$0.8 million and \$1.6 million, respectively, for the three and six months ended June 30, 2019 (2018 - \$0.3 million and \$0.5 million, respectively), including current period interest accruals, standby fees and the amortization of deferred financing costs related to each of the CCPF Credit Facility, the Crown Credit Facility and the Convertible Debentures. Interest expense in relation to the Convertible Debentures, which are measured at amortized cost, is determined using the effective interest rate method. Finance costs were higher in the three and six months ended June 30, 2019 compared with the

comparable prior year periods due primarily to higher average outstanding balances for each of the CCPF Credit Facility, which was established in February 2019, the Crown Credit Facility, for which advances were provided to the Corporation for the first time during the three months ended June 30, 2018, and the Convertible Debentures, which were issued in June 2018.

Income Taxes

For the three and six months ended June 30, 2019, Crown recorded current tax expense/(recovery) of \$0.7 million and \$(0.7) million (2018 – \$0.7 million and \$1.1 million, respectively) and deferred tax expense of \$0.1 million and \$0.1 million, respectively (2018 – \$0.1 million and \$0.3 million, respectively).

The Corporation's consolidated statutory tax rate for the three and six months ended June 30, 2019 on earnings before income taxes attributable to shareholders of the Corporation was 26.5%.

The deferred income tax asset at June 30, 2019 of \$0.3 million (December 31, 2018 - \$0.4 million) and deferred tax expenses for the three and six months ended June 30, 2019 result primarily from financing costs associated with the IPO, the Crown Credit Facility and the Convertible Debentures which are deductible for tax purposes over a five-year period, the income tax impact of financing fees on debt instruments previously recognized as income under IAS 39 that were reversed upon transition to IFRS 9, and performance bonus expenses which are not deductible for tax purposes until they are paid in future periods.

Net Income (Loss) and Comprehensive Income (Loss)

For the three and six months ended June 30, 2019, net income (loss) and comprehensive income (loss) of the Corporation was \$6.5 million and \$(0.1) million, respectively (2018 – \$5.7 million and \$8.6 million, respectively).

Net Income (Loss) and Comprehensive Income (Loss) Attributable to Shareholders of the Corporation and Non-Controlling Interests

For the three and six months ended June 30, 2019, net income (loss) and comprehensive income (loss) attributable to Shareholders was \$2.3 million and \$(1.7) million, respectively (2018 – \$2.0 million and \$2.9 million, respectively). The net loss for the six months ended June 30, 2019 reflects an aggregate effect, net of income taxes, of \$(5.0) million related to an unrealized loss recognized in relation to Crown Partners Fund's investment in Solo and to a provision for bad debt incurred in relation to an operating partner affiliated with Crown Power Fund. Net income (loss) and comprehensive income (loss) attributable to non-controlling interests for the three and six months ended June 30, 2019 was \$4.2 million and \$1.6 million, respectively (2018 – \$3.7 million and \$5.7 million, respectively). Net income (loss) and comprehensive income (loss) attributable to non-controlling interests reflects the proportionate interest of non-controlling interests in the net income (loss) and comprehensive income (loss) of consolidated entities, and is net of contractual management fees on the capital of non-controlling interests for the three and six months ended June 30, 2019 of \$0.4 million and \$0.8 million, respectively (2018 - \$0.4 million and \$0.8 million, respectively), which the Shareholders are entitled to retain.

NON-IFRS MEASURES

Adjusted EBIT and Adjusted Funds from Operations are not measures of financial performance (nor do they have standardized meanings) under IFRS. In evaluating these measures, readers should consider that the methodology applied in calculating these measures might differ among companies and analysts.

Adjusted Funds from Operations

Crown defines Adjusted EBIT as earnings before finance costs, non-cash, share-based compensation and income taxes less net income attributable to non-controlling interests. Adjusted Funds from Operations is calculated as Adjusted EBIT plus financing fees attributable to shareholders that were received in relation to investments measured at amortized cost but not recognized in revenue of the period, less amounts attributable to shareholders in relation to unrealized gains / (losses) and the amortization component of interest revenue recognized on loans carried at amortized cost. With these measures, Crown is attempting to quantify the amounts of Adjusted EBIT and Adjusted Funds from Operations, respectively, that are attributable to the common shareholders of the Corporation.

The Corporation believes that Adjusted Funds from Operations is a more useful supplemental measure in the context of Crown's specialty finance focus to assist investors in assessing the cash anticipated to be generated by Crown's business, including cash received in relation to its various revenue streams, that is attributable to shareholders.

Adjusted Funds from Operations in the three and six months ended June 30, 2019 were \$1.9 million and \$2.5 million, respectively (2018 – \$3.6 million and \$6.1 million, respectively).

A reconciliation of earnings before income taxes to Adjusted EBIT and Adjusted Funds from Operations for the three- and six-month periods ended June 30, 2019 and June 30, 2018 is shown in the following table:

Reconciliation of Earnings before Income Taxes to Adjusted EBIT and Adjusted Funds from Operations (In \$000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Earnings (loss) before income taxes	\$ 7,329	\$ 6,486	\$ (799)	\$ 9,937
Add: finance costs	758	344	1,624	479
Add: non-cash share-based compensation	72	420	98	878
Deduct: net income attributable to non-controlling interests	(4,237)	(3,680)	(1,592)	(5,713)
Adjusted EBIT	3,922	3,570	(669)	5,581
Add: finance fees attributable to shareholders received on investments carried at amortized cost but not included in fees and other income	-	560	463	1,012
Deduct: unrealized investment (gains)/losses attributable to shareholders	(1,728)	(383)	3,542	(216)
Deduct: amortization component of interest revenue attributable to shareholders on loans carried at amortized cost	(339)	(131)	(855)	(245)
Adjusted Funds from Operations	\$ 1,855	\$ 3,616	\$ 2,481	\$ 6,132

Compared with the comparable prior-year period, Adjusted Funds from Operations in the three months ended June 30, 2019 was lower due primarily to lower levels of revenue attributable to shareholders, including lower interest revenue and transaction fees, in addition to higher levels of general and administration, salary and performance bonus expense attributable to shareholders.

Compared with the comparable prior-year period, Adjusted Funds from Operations in the six months ended June 30, 2019 was lower due primarily to the incurrence of a \$3.0 million provision for bad debt in

addition to higher general and administration expense attributable to shareholders, partially offset by increases in the levels of interest revenue, fee income and realized gains attributable to shareholders.

The following table provides a quarterly reconciliation of earnings before income taxes to Adjusted EBIT and Adjusted Funds from Operations for the period from July 1, 2017 to June 30, 2019.

Reconciliation of Earnings before Income Taxes to Adjusted EBIT and Adjusted Funds from Operations (In \$000s)	Three Months Ended							
	June 30 2019	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017	September 30 2017
Earnings (loss) before income taxes	\$ 7,329	\$ (8,127)	\$ 7,647	\$ 5,597	\$ 6,486	\$ 3,450	\$ 6,987	\$ 4,094
Add: finance costs	758	866	849	768	344	135	137	134
Add: non-cash share-based compensation	72	26	226	(104)	420	458	382	252
Deduct: net income attributable to non-controlling interests	(4,237)	2,645	(4,336)	(3,176)	(3,680)	(2,033)	(4,092)	(2,494)
Adjusted EBIT	3,922	(4,590)	4,386	3,085	3,570	2,010	3,414	1,986
Add: finance fees attributable to shareholders received on investments carried at amortized cost but not included in fees and other income	-	463	391	506	560	452	-	-
Deduct: unrealized investment (gains)/losses attributable to shareholders	(1,728)	5,269	(570)	(280)	(383)	(167)	(86)	(406)
Deduct: amortization component of interest revenue attributable to shareholders on loans carried at amortized cost	(339)	(515)	(314)	(171)	(131)	(114)	-	-
Adjusted Funds from Operations	\$ 1,855	\$ 627	\$ 3,893	\$ 3,140	\$ 3,616	\$ 2,181	\$ 3,328	\$ 1,580

Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2019 totaled \$26.5 million (December 31, 2018 - \$11.3 million).

Accounts receivable at June 30, 2019 totaled \$6.6 million (December 31, 2018 - \$4.4 million) and was comprised primarily of interest receivable from investments, GST and HST recoverable by Crown Power Fund and management fees receivable from NCOF LP. Also included is an amount receivable from an operating partner affiliated with Crown Power Fund for which there is a fully offsetting allowance for bad debts.

Accounts payable and accrued liabilities at June 30, 2019 of \$0.8 million (December 31, 2018 - \$1.1 million) included accrued employee salaries, accrued loan interest and standby fees and normal-course amounts due to suppliers.

Distributions payable to non-controlling interests at June 30, 2019 of \$2.2 million was in relation to a regular quarterly distribution from Crown Partners Fund and is lower than the \$2.8 million amount payable as at December 31, 2018 as a result of a decrease in the average level of invested capital of this fund contributed by non-controlling interests.

The provision for performance bonus at June 30, 2019 totaled \$2.0 million compared to \$2.7 million as at December 31, 2018. The provision that has accrued in relation to the performance of Crown Partners Fund decreased in the period primarily due to a reduction in the carrying value of the investment in Solo.

The Corporation defines working capital as the sum of cash and cash equivalents, accounts receivable, income taxes recoverable and prepaid expenses and deposits less the sum of accounts payable and accrued liabilities, distributions payable to non-controlling interests, income taxes payable and the portions of the deferred compensation liability, the provision for performance bonus, bank debt and the lease-related right-of-use asset that are payable within one year of the reporting date. Working capital at June 30, 2019 was \$31.4 million compared with \$(5.7) million as at December 31, 2018, with the increase during the period related primarily to a \$15.2 million increase in cash and cash equivalents and a

reclassification of \$17.7 of bank debt as a non-current liability in the non-consolidated financial statements of the Corporation effective February 5, 2019.

The Corporation, on a non-consolidated basis, retains sufficient capital to ensure it meets the minimum excess working capital requirement of \$100,000 under applicable securities law.

As at June 30, 2019 Crown's aggregate unfunded commitment to Crown Partners Fund, CCF IV Investment and Crown Power Fund totaled \$63.8 million. As the manager of each of Crown Partners Fund, CCF IV Investment and Crown Power Fund, Crown controls the timing and level of funding requirements in relation to its capital commitments to these funds.

At June 30, 2019, \$105.7 million (56%) of the \$189.0 million committed to Crown Partners Fund to that date by limited partners other than Crown had been drawn by Crown Partners Fund, leaving \$83.3 million of committed capital available to Crown Partners Fund from parties other than Crown. As at June 30, 2019, Crown Partners Fund had total committed capital of \$300.0 million and a maximum size of \$500.0 million.

At June 30, 2019, \$13.3 million (40%) of the \$32.9 million committed to Crown Power Fund to that date by limited partners other than Crown had been drawn by Crown Power Fund, leaving \$19.6 million of committed capital available to Crown Power Fund from parties other than Crown. As at June 30, 2019, Crown Power Fund had total committed capital of \$57.9 million.

As at June 30, 2019, Crown Power Fund had committed to contracts valued at \$4.0 million in relation to the construction of power generation assets, of which \$2.1 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately \$1.9 million.

Of the Corporation's \$10 million funding commitment to WireE, \$7.6 million had been advanced as at June 30, 2019, resulting in an unfunded commitment of \$2.4 million at that date. Of Crown Partners Fund's \$15 million funding commitment to VIQ Solutions, \$8.9 million had been advanced as at June 30, 2019, resulting in an unfunded commitment of \$6.1 million as at that date, of which \$3.8 million was attributable to non-controlling interests. Of the Corporation's \$25 million funding commitment to Rokstad, \$15.5 million had been advanced as at June 30, 2019, resulting in an unfunded commitment of \$9.5 million at that date.

On December 30, 2016, Crown entered into an agreement for a \$35.0 million, 36-month, renewable senior secured revolving credit facility with ATB Financial and Business Development Bank of Canada which is intended to be used primarily to fund the Corporation's capital commitments to each of Crown Partners Fund, CCF IV Investment LP and Crown Power Fund and to fund Long-Term Financings. The balance outstanding on the Crown Credit Facility at June 30, 2019 of \$3.7 million is comprised of gross advances of \$4.2 million net of \$0.5 million of unamortized deferred financing costs. Effective February 5, 2019, the Corporation extended the maturity of the Crown Credit Facility to May 31, 2021.

On July 13, 2018, Crown issued \$20.0 million of convertible unsecured debentures that bear interest at a rate of 6.0% per annum, payable semi-annually, with a maturity date of June 30, 2023 and a conversion price of \$13.70 per Common Share. The Convertible Debentures are direct, subordinated unsecured obligations of the Corporation, subordinated to the Credit Facility. Net of issuance costs, the Corporation received net proceeds of \$18.7 million from the issuance of the Convertible Debentures.

On February 5, 2019, Crown Partners Fund entered into an agreement for a \$25.0 million senior secured credit facility with ATB Financial that matures on May 31, 2022, is subject to extension annually, and is intended to be used primarily to fund investments in mid-market corporations. The balance outstanding on the CCPF Credit Facility at June 30, 2019 of \$20.2 million is comprised of gross advances of \$20.5 million net of \$0.3 million of unamortized deferred financing costs.

Considering the Corporation's working capital, the \$103.0 million of committed capital available to Crown Partners Fund and Crown Power Fund from parties other than Crown, and the undrawn balances of the credit facilities of each of Crown and Crown Partners Fund, at June 30, 2019, the Corporation had access to up to approximately \$169.7 million to fund additional investments.

Investments

As at June 30, 2019, the Corporation held investments in 18 Canadian companies, including loans to 15 companies, carried at an aggregate carrying value of \$219.8 million (December 31, 2018 - \$246.9 million). In accordance with IFRS 9, the Corporation classifies its investments in debt securities to be carried at either amortized cost or FVTPL. All investments in equity securities are carried at FVTPL.

As at June 30, 2019, the Corporation held debt securities in 9 Canadian companies carried at amortized cost with an aggregate carrying value of \$145.2 million, net of an allowance for credit losses of \$0.4 million. The fair value of these debt securities as at the reporting date was \$147.3 million.

As at June 30, 2019, the Corporation held debt securities in 6 Canadian companies carried at FVTPL with an aggregate carrying value of \$62.5 million. The carrying value of other investments carried at FVTPL, including equity securities, as at June 30, 2019 was \$12.1 million.

Additional information about investments can be found in Note 4, Financial instruments in the Corporation's condensed consolidated interim financial statements for the three and six months ended June 30, 2019.

Provision for Performance Bonus

The provision for performance bonus in relation to the Corporation's obligations to APBP Participants at June 30, 2019 totaled \$2.0 million (December 31, 2018 - \$2.7 million), all of which represented the portion of performance fees related to Crown Partners Fund recognized in consolidated earnings to date that will be payable to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners of Crown Partners Fund. Subject to specified fund diversification and performance hurdles, advances on account of accrued performance fees may be paid to APBP Participants on an annual basis.

Share Purchase Loans

The Corporation has an Executive Share Purchase Plan ("**Share Purchase Plan**") whereby the Board can approve loans to senior management ("**Share Purchase Plan Participants**") for the purpose of purchasing the Corporation's Common Shares in the open market. Loans in relation to Share Purchase Plan are advanced by both a third-party financial institution and the Corporation (collectively the "**Lenders**"). The following must be paid directly to the Lenders on behalf of Share Purchase Plan Participants in repayment of interest and principal on these loans: all dividend distributions on the Common Shares, all annual

performance incentive plan payments to Share Purchase Plan Participants in excess of target bonus payouts, and all proceeds from the sale of the Common Shares.

As at June 30, 2019, \$0.1 million of these loans were outstanding to the Corporation (December 31, 2018 – \$0.6 million), including accrued interest. The loans under the Share Purchase Plan bear interest at Prime (3.95% as at June 30, 2019), are repayable in full within 90 days following the date on which the Share Purchase Plan Participant ceases to be employed by the Corporation and are personally guaranteed by Share Purchase Plan Participants.

The Corporation has guaranteed the repayment of loans advanced to Share Purchase Plan Participants by a third-party financial institution pursuant to the Share Purchase Plan which totaled \$3.3 million as at June 30, 2019, and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$3.9 million as at June 30, 2019.

Non-Controlling Interests

At June 30, 2019, non-controlling interests was \$117.6 million (December 31, 2018 - \$127.9 million). The decrease is attributable to an excess of distributions, including capital returned in relation to loan repayments, over the combination of capital contributions to Crown Power Fund and Crown Partners Fund received from non-controlling interests and net income attributable to non-controlling interests over the same period.

Share Capital

As at June 30, 2019, total share capital was \$97.3 million (December 31, 2018 - \$97.6 million).

In the six months ended June 30, 2019, the Corporation issued 13,059 Common Shares to employees and directors as a result of vesting of Share Units. The total value assigned to the Common Shares issued was \$0.1 million and this amount was added to share capital.

On April 10, 2017, the Corporation commenced a normal course issuer bid (“**NCIB**”) to purchase for cancellation during the next 12 months up to 310,000 Common Shares representing approximately 4.2% of the public float of Common Shares and approximately 3.3% of the issued and outstanding Common Shares. Under this NCIB program, which subsequently expired on April 9, 2018, Crown repurchased and cancelled 86,074 Common Shares at an average cost of \$9.69 per Common Share.

On April 10, 2018, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 300,000 Common Shares representing approximately 5.5% of the public float of Common Shares and approximately 3.2% of the issued and outstanding Common Shares. Under this NCIB program, which subsequently expired, Crown repurchased and cancelled 22,261 Common Shares in the six months ended June 30, 2019 at an average cost of \$9.86 per Common Share and in total over the full term of this NCIB acquired 102,583 Common Shares at an average cost of \$10.06 per Common Share.

On April 10, 2019, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 300,000 Common Shares representing approximately 5.3% of the public float of Common Shares and approximately 3.1% of the issued and outstanding Common Shares. Under this NCIB program, Crown repurchased and cancelled 17,391 Common Shares in the six months ended June 30, 2019 at an average cost of \$9.14 per Common Share.

The total number of Common Shares outstanding at June 30, 2019 was 9,589,962 (December 31, 2018 – 9,616,555; August 7, 2019 – 9,568,098).

Contributed Surplus

At June 30, 2019 Crown's contributed surplus of \$0.8 million included the opening balance at January 1, 2019 of \$1.4 million plus, for the six months ended June 30, 2019, \$0.2 million for share-based compensation expense recorded for Share Units and Stock Options outstanding during the period less \$0.1 million transferred to share capital for Share Units vested, \$0.1 million for cash-settled share-based compensation and \$0.5 million transferred to retained earnings in relation to the cancelation of Stock Options.

Cash Flows

Cash and cash equivalents at June 30, 2019 totaled \$26.5 million (December 31, 2018 - \$11.3 million). In the six months ended June 30, 2019, the primary sources of cash flow for the Corporation were non-controlling interest contributions to Crown Power Fund, non-controlling interest contributions to Crown Partners Fund to fund investment in Triple Five and Rokstad Power, proceeds from the repayment of the BGO and Baylin loans (net of non-controlling interests' share) and from the partial repayment of the Solo investment, and net advances in respect of the credit facilities. Primary uses of cash included investment in Triple Five, Rokstad Power and Solo, distributions to non-controlling interests, dividend payments to Shareholders, an increase in interest receivable, the incurrence of deferred finance costs in relation to the credit facilities, and the purchase of equipment under development and related deposits.

On August 7, 2019, the Corporation declared a quarterly dividend of \$0.15 per Common Share. The dividend will be paid on August 30, 2019 to Shareholders of record on August 16, 2019.

Off-Balance Sheet Arrangements

As at June 30, 2019 the Corporation, through CCFC, had subscribed for 107,840 Units of Crown Partners Fund. This subscription included a commitment by the Corporation to provide up to \$107.8 million to Crown Partners Fund as funds are called by Crown Partners Fund to fund new Special Situations Financing transactions. As of June 30, 2019, the Corporation had contributed capital to Crown Partners Fund totaling \$60.3 million and was committed to provide up to an additional \$47.5 million to Crown Partners Fund.

Through CCFC, the Corporation had also subscribed for 3,170 Units of CCF IV Investment LP. This subscription included a commitment by the Corporation to provide up to \$3.2 million to CCF IV Investment LP as funds are called by CCF IV Investment LP to fund its commitment to Crown Partners Fund. As of June 30, 2019, the Corporation had contributed capital to CCF IV Investment LP totaling \$1.8 million and was committed to provide up to an additional \$1.4 million to CCF IV Investment LP.

Through CCFC, the Corporation had also subscribed for 25,000 Units of Crown Power Fund. This subscription included a commitment by the Corporation to provide up to \$25.0 million to Crown Power Fund as funds are called by Crown Power Fund to fund new investment. As of June 30, 2019, the Corporation had contributed capital to Crown Power Fund totaling \$10.1 million and was committed to provide up to an additional \$14.9 million to Crown Power Fund.

As discussed in the *Liquidity and Capital Resources* section above, as at June 30, 2019 the Corporation had unfunded contractual commitments through Crown Power Fund of approximately \$1.9 million, \$2.4 million to WireE, \$6.1 million to VIQ Solutions, of which \$3.8 million was attributable to non-controlling interests and \$9.5 million to Rokstad Power, of which \$6.0 million was attributable to non-controlling interests. As discussed in the *Share Purchase Loans* section above, the Corporation has guaranteed the repayment of loans advanced to Share Purchase Plan Participants by a third-party financial institution pursuant to the Share Purchase Plan.

Crown has no other material off-balance sheet arrangements.

Related Party Transactions

Pursuant to a limited partnership agreement, Crown, for services provided, is entitled to earn management fees from NCOF LP. Effective October 31, 2018, the Corporation elected to stop accruing for incremental management fees from NCOF LP and as a result it recognized management fee income in relation to NCOF LP for the six months ended June 30, 2019 of \$nil (2018 - \$0.06 million).

At June 30, 2019, accounts receivable included \$0.5 million due from NCOF LP (December 31, 2018 - \$0.5 million).

Pursuant to limited partnership agreements, Crown Partners Fund and Crown Power Fund also pay management fees to Crown for management services provided. Management fees paid to Crown by Crown Partners Fund and Crown Power Fund are eliminated on consolidation.

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.

The table below provides additional details of the transaction fees, management fees and performance fees included in net income and comprehensive income attributable to Shareholders of the Corporation arising from non-controlling interests as a result of Crown's role as a fund manager and the financial statement captions through which these fees are reflected in net income and comprehensive income attributable to Shareholders.

Fees Earned From Related Parties (\$ in 000s)	Three Months Ended June 30,		Six Months Ended June 30,		Notes on Consolidation
	2019	2018	2019	2018	
Transaction fees - Crown	\$ 157	\$ 235	\$ 157	\$ 425	allocated from net income to income attributable to Shareholders
Management Fees charged to NCOF LP	-	32	-	65	included in Revenue - Fees and Other Income
Performance fees related to non-controlling interest in Crown Partners Fund	615	595	(817)	711	allocated from net income to income attributable to Shareholders
Management fees related to non-controlling interest in Crown Partners Fund	375	419	797	805	allocated from net income to income attributable to Shareholders
	\$ 1,147	\$ 1,281	\$ 137	\$ 2,006	

Critical Estimates and Accounting Policies

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.

Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements for the three and six months ended June 30, 2019 are included in the following notes in those financial statements:

- Note 3 – Significant accounting policies;
- Note 4 – Financial instruments; and
- Note 6 – Share-based compensation.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2018 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Current Period Changes in Accounting Policies

IFRS 16 “Leases” (“IFRS 16”):

Effective January 1, 2019 the Corporation adopted IFRS 16, replacing IAS 17 “Leases”. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Corporation, as a lessee, has recognized a right-of-use asset in respect of its office lease representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Previously, the Corporation classified its office lease as an operating lease under IFRS 17. At transition, the lease liability was measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. When measuring the lease liability, the Corporation discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 7.0%.

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019, with no restatement of comparative information.

As a result of initially applying IFRS 16, the Corporation recognized a right-of-use asset in the amount of \$0.5 million and a lease liability in the amount of \$0.5 million, with a nil difference in retained earnings.

Financial Instruments and Associated Risks

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, share purchase loans, accounts payable and accrued liabilities, distributions payable to non-controlling interests, credit facilities and convertible debentures – liability component. The fair value of share purchase loans approximates carrying value due to the variable rate of interest applicable to these

instruments. The carrying value of the convertible debenture – liability component approximates fair value due to the market interest rate as at June 30, 2019 which was consistent with that used to record the convertible debenture – liability component upon initial recognition at fair value on June 13, 2018. The fair values of other financial instruments approximate carrying value due to the short term to maturity of the instruments. The provision for deferred compensation is measured based on the market value of the Corporation's share price with the impact of any resultant change included in share-based compensation expense in the period.

The Corporation, through its subsidiaries CCFC, Crown Partners Fund and Crown Private Credit Fund, also holds investments in debt securities which are measured at amortized cost and at FVTPL and equity securities which are measured at FVTPL.

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. The Corporation's Canadian equity securities include Crown Partners Fund's interest in Source common shares, Prairie Provident common shares and VIQ Solutions common shares plus additional VIQ Solutions common shares held by Crown. The Corporation's Canadian warrants include Crown Partners Fund's interest in common share purchase warrants of VIQ Solutions, Medicare, Baylin, Data Communications and Persta. Source, Prairie Provident, VIQ Solutions, Medicare, Baylin, Data Communications and Persta are publicly-traded companies. The primary risk to the FVTPL of these equity securities is market 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. 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. For loans carried at fair value through profit and loss, 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 Corporation actively reviews collateral of the underlying businesses, including fixed assets, inventory and receivables. The Corporation monitors financial results and collateral values of the underlying businesses regularly against the underlying business plans and industry trends. The carrying value of loans at amortized cost is net of an allowance for credit losses that reflects management's estimation of expected credit loss for each loan carried at amortized cost.

The Corporation's Canadian debt securities include Crown Partners Fund's loans to Touchstone, Source, Solo, Ferus, RBee, Active, Canadian Helicopters, Data Communications, Persta, Triple Five, VIQ Solutions and Rokstad Power, and Crown Private Credit Fund's loans to PenEquity, Mill Street and WireE. The primary risk to the carrying value of these debt securities is credit risk. Other than the PenEquity and Mill Street loans, which bear floating interest rates, these debt securities bear fixed interest rates which impacts interest rate risk.

The Corporation's investments are denominated in Canadian currency so there is no currency risk associated with the above investments except to the extent of investees' underlying operations which in some cases are dependent on revenues and are exposed to costs denominated in foreign currencies.

Additional information about financial instruments and associated risks can be found in the Corporation's 2018 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Risk Factors

Crown operates in a dynamic environment that involves various risks, many of which are beyond Crown's control and which could have an effect on Crown's business, revenues, operating results and financial condition.

In the short term, a significant risk to the Corporation is that all financing clients repay their loans and replacement loans are not completed such that interest, fees and other income and the capital base for determination of management fee revenues drop significantly. In the longer term, an inability to raise and place additional capital on which to charge interest and management fees would be a significant risk.

A risk that is common among Crown Partners Fund, Crown Private Credit Fund and Crown Power Fund is credit risk, as discussed in *Financial Instruments and Associated Risks*. Although Crown intends to offer financing solutions and long-term power supply contracts only to clients with a history of profitability, there can be no assurance that its financing clients or long-term power supply counterparties will not default and that Crown will not sustain a loss as a result.

The primary risk factor for Crown Partners Fund is credit risk, being the potential inability of one or more of the 12 portfolio companies to meet their debt obligations to Crown Partners Fund.

Through its ownership of equity and equity-related securities, Crown Partners Fund is exposed to market price risk. As at June 30, 2019, Crown Partners Fund held Source common shares which were valued at \$0.1 million, Prairie Provident common shares which were valued at \$0.4 million, Medicare common share purchase warrants which were valued at \$0.3 million, Baylin common share purchase warrants which were valued at \$0.8 million, Data Communications common share purchase warrants valued at \$0.4 million, Persta warrants valued at \$0.4 million, VIQ Solutions common shares which were valued at \$0.1 million and VIQ Solutions common share purchase warrants which were valued at \$0.5 million. As at June 30, 2019, Crown held additional VIQ Solutions common shares which were valued at \$0.1 million. A reduction in the value of these warrants or shares would reduce the value of Crown's Investments.

The primary risk factor for Crown Private Credit Fund is credit risk, being the potential inability of PenEquity, Mill Street or WireE to meet their obligations to Crown Private Credit Fund.

The primary risk factor for Crown Power Fund is credit risk, being the potential inability of counterparties to long-term power supply contracts to meet their obligations to Crown Power Fund. Crown Power Fund is also exposed to the risk that project development advances provided to operating partners might not be appropriately applied to project development costs and that any resultant amounts owing to Crown Power Fund might not be recoverable.

See Note 5 - Financial risk management in the Corporation's December 31, 2018 audited consolidated financial statements.

A more extensive discussion of the risks faced by the Corporation can be found in the Corporation's Annual Information Form ("**AIF**") available on SEDAR at www.sedar.com.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The CEO and CFO have designed, or caused to be designed under their direct supervision, Crown's DC&P to provide reasonable assurance that:

- material information relating to Crown, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and
- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported on a timely basis.

The CEO and CFO have also designed, or caused to be designed under their direct supervision, Crown's ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The ICFR have been designed using the control framework established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

While Crown's CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in Crown's ICFR during the three months ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, Crown's ICFR.

Forward-Looking Statements

Statements that are not reported financial results or other historical information are forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"). This MD&A includes forward-looking statements regarding Crown and the industries in which it operates, including statements about, among other things, expectations, beliefs, plans, future loans and origination, business and acquisition strategies, opportunities, objectives, prospects, assumptions, including those related to trends and prospects and future events and performance. Sentences and phrases containing or modified by words such as "anticipate", "plan", "continue", "estimate", "intend", "expect", "may", "will", "project", "predict", "potential", "targets", "projects", "is designed to", "strategy", "should", "believe", "contemplate" and similar expressions, and the negative of such expressions, are not historical facts and are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual

results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or by which, such events, performance or results will be achieved, if achieved at all. Forward-looking statements are based on information available at the time and/or management's expectations with respect to future events that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The factors described under the heading "Risk Factors" in this MD&A and in the AIF, as well as any other cautionary language in this MD&A, provide examples of risks, uncertainties and events that may cause Crown's actual results to differ materially from the expectations it describes in its forward-looking statements. Readers should be aware that the occurrence of the events described in these risk factors and elsewhere in this MD&A could have an adverse effect on, among other things, Crown's business, prospects, operations, results of operations and financial condition.

Specific forward-looking statements contained in this MD&A include, among others, statements, management's beliefs, expectations or intentions regarding the following:

- the Corporation's intentions for the use of its cash and cash equivalents and the timing thereof, including additional capital contributions to Crown Partners Fund, Crown Private Credit Fund and Crown Power Fund;
- the investments of Crown Partners Fund in Special Situations Financing transactions and the potential structuring of such transactions;
- the performance of financing clients;
- the non-recurring nature of certain expenses;
- the future profitability of operating partners affiliated with Crown Power Fund and the expected recoverability of amounts owed to the Corporation by such operating partners;
- the investments of Crown Private Credit Fund in Long-Term Financing transactions and the potential structuring of such transactions;
- the Corporation's business plans and strategy;
- the Corporation's future cash flow and shareholder value;
- the sourcing of deals from Crown's established network and its potential pipeline of projects;
- the future capitalization of Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and Crown and future closings in relation thereto;
- Crown's future entitlement to base management and performance fees;
- the effect of delays between the repayment of loans and the redeployment of capital on Crown's financial condition;

- the future accounting policies of the Corporation;
- the alternative financial market and the general economy;
- the determination of recovery levels and values realized on liquidation of security held, when necessary, for Crown's loans going forward;
- the effect of the early repayment of loans on anticipated interest income;
- the Corporation's ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing); and
- the vesting of Share Units and Options.

Readers are cautioned that the foregoing list of forward-looking statements should not be construed as being exhaustive.

In making the forward-looking statements in this MD&A, the Corporation has made assumptions regarding general economic conditions, reliance on debt financing, interest rates, continued lack of regulation in the business of lending from sources other than commercial banks or equity transactions, continued operation of key systems, debt service, continuing constraints on bank lending to mid-market companies for at least several years, future capital needs, retention of key employees, adequate management of conflicts of interests, continued performance of the Crown funds and solvency of financing clients, competition, limited loan prepayment, effective use of leverage, strength of existing client relationships, regulatory oversight and such other risks or factors described in this MD&A, the AIF and from time to time in public disclosure documents of Crown that are filed with securities regulatory authorities.

The forward-looking statements included in this MD&A are expressly qualified by this cautionary statement and are made as at the date of this MD&A. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. If the Corporation does update one or more forward-looking statements, it is not obligated to, and no inference should be drawn that it will, make additional updates with respect thereto or with respect to other forward-looking statements.

Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

Market and Industry Data

Certain market and industry data contained in this MD&A is based upon information from government or other third-party publications, reports and websites or based on estimates derived from such publications, reports and websites. Government and other third-party publications and reports do not guarantee the accuracy or completeness of their information. While management believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process and other limitations and uncertainties inherent in any statistical survey. Crown has not independently verified any of the data from government or other third-party sources referred to in this MD&A or ascertained the underlying assumptions relied upon by such sources.

Trademarks, Trade Names and Service Marks

All trademarks used in this MD&A are the property of their respective owners and may not appear with the ® symbol.

Additional Information

Additional information relating to the Corporation is available on SEDAR at www.sedar.com, including the Annual Information Form.