

Crown Capital Partners Inc.  
2016 SECOND QUARTER REPORT



# Management's Discussion and Analysis

for the three and six months ended June 30, 2016

## 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, 2016 is prepared as of August 9, 2016. This discussion is the responsibility of management and should be read in conjunction with the Corporation's June 30, 2016 condensed consolidated interim financial statements and the notes thereto (unaudited), and the Corporation's 2015 audited consolidated financial statements and notes thereto, both prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and other public filings available on SEDAR at [www.sedar.com](http://www.sedar.com). The board of directors of the Corporation (the "**Board**") has approved this MD&A. All amounts herein are expressed in Canadian dollars unless otherwise indicated. See "Forward-Looking Statements".

### Highlights of the Three Months ended June 30, 2016

During the three months ended June 30, 2016, Crown:

- earned total comprehensive income attributable to shareholders ("**Shareholders**") of \$1.7 million on revenues of \$5.0 million;
- on May 20, 2016, paid a quarterly dividend of \$0.11 per common share (a "**Common Share**") to Shareholders of record on May 6, 2016;
- completed a \$15 million, five-year term loan agreement between Crown Capital Fund IV, LP ("**CCF IV LP**") and Bill Gosling Outsourcing Holding Corp. ("**Gosling**"), a global provider of call center solutions to blue-chip clients;
- earned an amendment fee of \$225,000 from CRH Medical Corporation ("**CRH**") on the loan to CRH held by Norrep Credit Opportunities Fund II, LP ("**NCOF II**") and Norrep Credit Opportunities Fund II (Parallel), LP ("**NCOF II Parallel**"), (collectively, the "**NCOF Funds**");
- earned an amendment fee of \$250,000 on the CCF IV LP loan to Distinct Infrastructure Group Inc. ("**Distinct**") which was settled for 2,000,000 common shares of Distinct (the "**Additional Distinct Shares**"). CCF IV LP also holds 8,000,000 common shares of Distinct (the "**Initial Distinct Shares**" and together with the Additional Distinct Shares, the "**Distinct Shares**"); and
- on April 6, 2016, the Corporation announced a normal course issuer bid ("**NCIB**") under which Crown has the right to purchase up to 620,000 Common Shares representing approximately 10% of the public float of Common Shares and approximately 6.5% of the issued and outstanding Common Shares. Crown commenced the NCIB because, in the opinion of the Board and the Corporation's senior management, the Common Shares occasionally trade in a price range which does not adequately reflect the value of the underlying business and financial position of the Corporation.

Also, on July 15, 2016, CCF IV LP completed a subsequent closing of subscriptions for an additional 25,000 limited partnership units at \$1,000 per unit, bringing the total capital committed to CCF IV LP to \$125 million.

## Overall Performance

Crown's financial position at June 30, 2016 and its financial results for the three and six months ended June 30, 2016 are not comparable to the prior year due to the initial public offering of Common Shares (the "IPO") and the acquisition of NCOF II (the "Rollover Transaction"), both completed in July 2015, and the establishment of CCF IV LP and Crown Capital Private Credit LP ("CCPC LP") in September and December 2015, respectively.

Total assets increased from \$130.1 million at December 31, 2015 to \$138.2 million at June 30, 2016, including an increase in investments at fair value from \$84.4 million to \$99.4 million and a decrease in cash and cash equivalents from \$43.6 million to \$36.3 million. Total equity increased from \$99.3 million at December 31, 2015 to \$101.4 million at June 30, 2016.

Total revenues in the three and six months ended June 30, 2016 were \$5.0 million and \$10.1 million, respectively, compared to \$0.3 million and \$0.5 million in the three and six months ended June 30, 2015, respectively. Revenues were higher in the three and six months ended June 30, 2016 due to a combination of factors including the Rollover Transaction and the lending activity of CCF IV LP and CCPC LP.

Expenses in the three and six months ended June 30, 2016 increased to \$1.4 million and \$3.1 million, respectively, compared to \$0.3 million and \$0.6 million in the three and six months ended June 30, 2015, respectively. Operating costs in 2016 were higher due primarily to new compensation and employee bonus arrangements post-IPO and the addition of the Chief Investment Officer ("CIO") and three senior business development executives to increase Crown's capacity to originate, underwrite and manage new transactions. Expenses also increased due to increased professional fees and other expenses and accrual of performance bonus pool expenses.

Net income and comprehensive income attributable to Shareholders were \$1.7 million and \$3.4 million in the three and six months ended June 30, 2016, respectively, compared with losses of \$42,423 and \$42,203 in the three and six months ended June 30, 2015, respectively. The major factors impacting net income and comprehensive income attributable to Shareholders were the IPO, the Rollover Transaction and the lending activity of CCF IV LP and CCPC LP. Also, prior to the IPO, it was Crown's policy to accrue management fee expenses and management fees payable by approximately the amount of taxable income before such fees. This practice was not continued after the IPO.

Crown consolidates 100% of its approximate 69.75% interest in NCOF II and, through its wholly-owned subsidiary, Crown Capital Funding Corporation ("CCFC"), its 50% interest in CCF IV LP and its 100% interest in CCPC LP and reflects the interests of other investors in these funds as non-controlling interests. The financial results of the Corporation as at and for the three and six months ended June 30, 2016 discussed in this MD&A reflect the completion of the IPO and also include the results of operations of CCFC, NCOF II, CCF IV LP and CCPC LP for the three and six months ended June 30, 2016.

## Business Overview

Crown is a specialty finance company focused on providing capital to successful Canadian companies and select U.S. companies that are unwilling or unable to obtain suitable financing from traditional capital providers such as banks and private equity funds. Crown also manages capital pools, including some in which Crown has a direct ownership interest. 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, which was founded by Crown Life Insurance Company and owned by it until 2002, completed an IPO in 2015 for gross proceeds of \$65 million. The Common Shares began trading on the Toronto Stock Exchange on July 9, 2015 under the symbol TSX:CRN.

Crown has historically offered special situations financing solutions to businesses for transitory capital requirements, generally in the form of short- and medium-term senior or subordinated loans, indirectly through a variety of funding arrangements ("**Special Situations Financing**"). Immediately prior to closing of the IPO, the Corporation, through the Rollover Transaction, acquired approximately 69.75% of the outstanding units of NCOF II, a Special Situations Financing debt fund, in exchange for 3,214,494 Common Shares valued at \$35.4 million.

In September 2015, the Corporation completed the initial closing of CCF IV LP, a Special Situations Financing debt fund with initial capital commitments of \$100 million. On July 15, 2016, CCF IV LP completed a subsequent capital raise with subscriptions for an additional 25,000 limited partnership units, bringing the total capital committed to CCF IV LP to \$125 million. As a result of the subsequent capital raise, Crown now holds a 40% controlling interest in CCF IV LP, down from 50% as at June 30, 2016.

Crown is also deploying its capital through its wholly-owned subsidiary, CCPC LP, to financing clients seeking non-dilutive sources of long-term capital, generally in the form of traditional interest-bearing loans and royalties. Crown intends to develop a diversified portfolio of long-term financing clients across numerous industries to provide non-dilutive sources of long term capital in the form of fixed rate long-term loans, participating loans, perpetual debt, income streaming and recurring revenue structures ("**Long-term Financing**").

#### Portfolio at June 30, 2016

At June 30, 2016, Crown held ownership interests in six loans (nil at June 30, 2015).

Borrower	Loan Principal Amount Outstanding at June 30, 2016 <sup>(1)</sup>	Attributable to		Status
		Shareholders	Non-controlling interests	
<b>Special Situations Financing transactions</b>				
CRH Medical Corporation <sup>1</sup>	\$22,500,000	\$12,063,330	\$5,231,346	Current
Corrosion Services Company Limited (" <b>Corrosion</b> ") <sup>1</sup>	\$4,000,000	\$2,144,592	\$929,885	Current
Petrowest Corporation (" <b>Petrowest</b> ")	\$15,000,000	\$7,500,000	\$7,500,000	Current
Distinct Infrastructure Group	\$20,000,000	\$10,000,000	\$10,000,000	Current
Bill Gosling Outsourcing Holding Corp	\$15,000,000	\$7,500,000	\$7,500,000	Current
<b>Long-term Financing transactions</b>				
PenEquity Realty Corporation (" <b>PenEquity</b> ")	\$25,000,000	\$25,000,000	Nil	Current

Note:

- (1) The above principal amounts are stated at the face value of the loans. The loans to CRH and Corrosion were made *pari passu* with NCOF II Parallel. NCOF II holds approximately 76.9% of these two investments. Only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016 and 2015, not the pro rata portions held by NCOF II Parallel.

In addition to the above loans, as at June 30, 2016, CCF IV LP held ownership interests in 4,300,000 Petrowest common share purchase warrants (the "**Petrowest Warrants**"), 903,614 Petrowest common shares (the "**Petrowest Shares**") and the Distinct Shares.

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

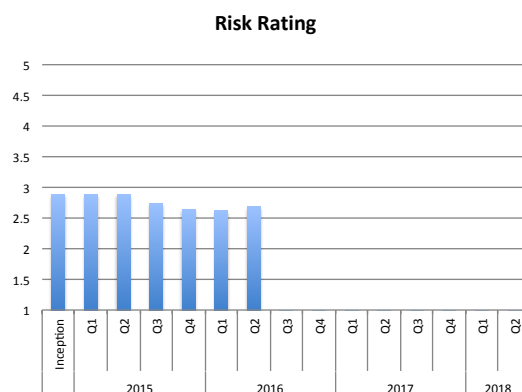
Similar to a financial ratio, the risk rating provides both a point-specific indication of the risk level of a loan as well as the trend of the risk level over a period of time. Crown's strategy is to provide loans to successful, cash flow-generating businesses. Crown expects the risk rating of a borrower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

### Portfolio Company Updates

The following tables set forth certain summary information in respect of loans held by Crown as at June 30, 2016. The information contained in the rows entitled "Business Description" and "Business Overview" has been provided by the applicable borrower. See "Forward-Looking Statements", "Market and Industry Data" and "Risk Factors".

CRH Medical Corporation	
<b>Business Description:</b>	Headquartered in Vancouver, British Columbia, CRH is a publicly-traded healthcare company (TSX:CRH) providing innovative products and essential services to gastroenterologists throughout the U.S. CRH's core business is providing anesthesia services to gastroenterology clinics in Georgia, Tennessee, Florida, and North Carolina. In addition, CRH has a patented innovative product for the treatment of hemorrhoids which is used by over 2,000 physicians in 800 clinics throughout the U.S.
<b>Business Overview:</b>	CRH continues to execute on its acquisition strategy, completing four transactions year-to-date 2016 by way of minority and majority purchases of anesthesiology clinics. Revenue increased by 48% and EBITDA by 41% in the first half of 2016 compared to the first half of 2015. In June 2016, CRH announced an increase of its senior credit facility, from \$35 million to \$55 million to support future acquisitions.
<b>Industry:</b>	Healthcare
<b>Capital Investment:</b>	\$22.5 million
<b>Investment Date:</b>	December 2, 2014
<b>Term:</b>	42 months
<b>Interest Rate:</b>	12%
<b>Bonus / Participation:</b> <sup>1</sup>	2.0 million common shares

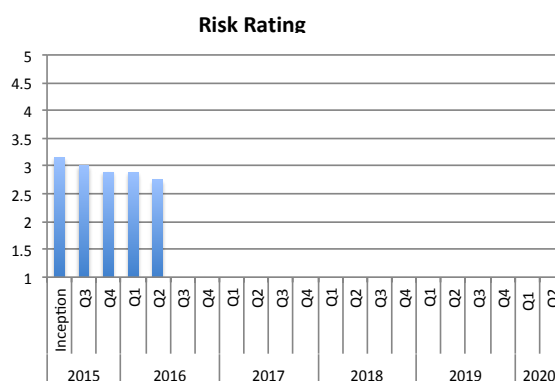
Note 1: All the CRH shares were sold in 2015.





## Corrosion Services Company Limited

<b>Business Description:</b>	Established in 1950, Corrosion is a privately-owned corrosion engineering firm headquartered in Markham, Ontario. Corrosion is the second largest corrosion engineering firm in Canada focused primarily on corrosion mitigation for the midstream energy industry. Corrosion provides pipeline and infrastructure integrity through an end-to-end service offering consisting of cathodic and anodic protection systems, AC mitigation, and external corrosion direct assessment. Corrosion has six field offices located across Canada.
<b>Business Overview:</b>	Corrosion's financial performance in the current year has improved compared to the prior year. The outlook for pipeline integrity testing continues to be favourable due to the regulatory and safety requirements in the industry. Corrosion expects to continue to add new clients and increase its market share in the coming year.
<b>Industry:</b>	Business Services
<b>Capital Investment:</b>	\$4 million
<b>Investment Date:</b>	April 1, 2015
<b>Term:</b>	60 months
<b>Interest Rate:</b>	Not disclosed
<b>Bonus / Participation:</b>	% increase in enterprise value



## Petrowest Corporation

<b>Business Description:</b>	Headquartered in Calgary, Alberta, Petrowest is a publicly-traded company (TSX:PRW) formed in 2006 from the amalgamation of nine regional Northeast British Columbia and Alberta companies. Petrowest is one of the largest diversified infrastructure service providers in Western Canada operating through five primary divisions: Construction, Transportation, Civil, Rentals, and Environmental Landfill. Petrowest has a long history and deep roots in the communities it services.
<b>Business Overview:</b>	Petrowest closed a \$10 million bought-deal financing on April 27, 2016, with the proceeds to be used to reduce indebtedness and for general working capital purposes. Petrowest reported revenue of \$36.6 million in Q1 2016, and adjusted EBITDA of \$2.1 million. Petrowest is a 25% partner on a \$1.7 billion contract to construct the Site C hydro dam in NE British Columbia. The impact of this contract was limited in the first quarter and, accordingly, it is expected to have a greater impact starting in Q2 2016.
<b>Industry:</b>	Diversified
<b>Capital Investment:</b>	\$15 million
<b>Investment Date:</b>	September 29, 2015
<b>Term:</b>	36 months
<b>Interest Rate:</b>	11%
<b>Bonus / Participation:</b>	4.3 million Petrowest Warrants & 903,614 Petrowest Shares



**Distinct Infrastructure Group Inc.**

**Business Description:** Headquartered in Toronto, Ontario, Distinct is a publicly-traded (TSXV:DUG) utility and telecom infrastructure contractor with capabilities in design, engineering, construction, services & maintenance, and materials management. Distinct's clients consists of blue-chip telecom and utility infrastructure companies including Bell and Rogers. Through its wholly-owned subsidiaries, DistinctTech, iVac Services Inc., DistinctTech Alberta Inc., DistinctTech Environmental Solutions Inc., and Pillar Contracting Ltd., Distinct employs 250 employees in five offices across Canada.

**Business Overview:** Distinct reported record revenue and EBITDA for the fiscal year ended December 31, 2015 of \$37.1 million and \$6.8 million, respectively. Distinct also reported record revenue and EBITDA in the three months ended March 31, 2016 of \$10.7 million and \$1.03 million, respectively. The record growth experienced by Distinct was primarily organic growth from its core business. The CCF IV LP loan was amended on June 30, 2016 to include variable interest rates based on Distinct's performance and revised financial covenants.

**Industry:** Infrastructure Services

**Risk Rating**

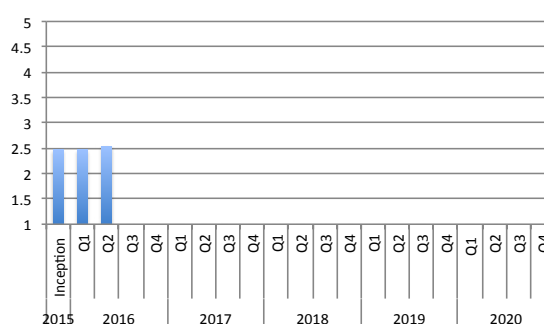
**Capital Investment:** \$20 million

**Investment Date:** November 25, 2015

**Term:** 60 months

**Interest Rate:** 10%-12%

**Bonus / Participation:** 10.0 million Distinct Shares

**Bill Gosling Outsourcing Holding Corp.**

**Business Description:** Headquartered in Newmarket, Ontario, Gosling is a global provider of call center solutions to blue chip and emerging high-growth clients. It operates nine call centers in Canada, the U.S., the U.K., and the Philippines and employs approximately 2,000 full time equivalents. Gosling was founded in 1955. In May 2016, Crown advanced a \$15 million, 5-year term loan to refinance a maturing loan.

**Business Overview:** Gosling is expected to continue to benefit from a shift from "in-housing" to "outsourcing" as the business process outsourcing industry has been growing at 5% per annum. Underpinning and potentially increasing this growth is the continued increase in U.S. auto loan and alternative consumer financing markets. To remain competitive, Gosling opened a full-service call center in Manila, Philippines which is operating at full capacity.

**Industry:** Business Process Outsourcing

**Risk Rating**

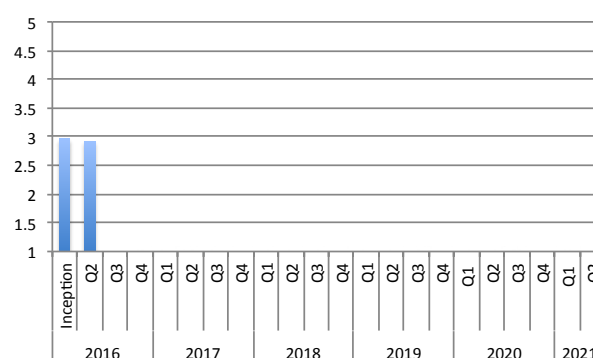
**Capital Investment:** \$15 million

**Investment Date:** May 25, 2016

**Term:** 60 months

**Interest Rate:** Not disclosed

**Bonus / Participation:** % increase in enterprise value



PenEquity Realty Corporation	
<b>Business Description:</b>	Headquartered in Toronto, Ontario, PenEquity is a property management and real estate development company, operating primarily in the retail sector, specifically grocery-anchored retail plazas. PenEquity was founded in 1984 and, over the past three decades, has completed over 23 development projects. PenEquity has established strong relationships with partners and key tenants and has been successful in attracting large, high-quality, financially-stable tenants.
<b>Business Overview:</b>	PenEquity currently has a portfolio of seven development projects in its pipeline. Six of the projects are grocery-anchored community retail plazas and one is a medical building. Two projects are in Barrie, with the others in Stoney Creek, Brampton, London, Kanata, and Mississauga. PenEquity expects to develop and realize on these projects over the next five years. One of two Barrie projects is currently in the construction phase, with initial phase to be completed by December 2016 and final completion in 2017. This Barrie project is the nearest to completion at this time.
<b>Industry:</b>	Real Estate Development
<b>Capital Investment:</b>	\$25 million
<b>Investment Date:</b>	December 16, 2015
<b>Term:</b>	120 months
<b>Interest Rate:</b>	Not disclosed
<b>Bonus / Participation:</b>	None



All of the above loans, except the Corrosion loan, are payable by way of a single payment due at the end of the term. Monthly principal payments on the Corrosion loan commence in November 2016 with any remaining balance due at the end of the term.

## Outlook

Management continues to place a high priority on new originations of both Special Situation Financing and Long-Term Financing transactions. As Crown looks to deploy its capital, market conditions are currently favourable and the pipeline of potential transactions is strong.

Crown is focused on a segment of the market (successful businesses in the mid-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 its liquidity in new originations, it expects to generate growing cash flow and build long-term value for Shareholders.

Crown intends to deploy the vast majority of its cash and cash equivalents in additional Special Situations Financing and Long-Term Financing transactions in 2016. This is expected to result in increased revenues from interest and fees and other income. As additional capital calls are made on the limited partners of CCF IV LP to fund Special Situations Financings, it is expected the Corporation's cash and cash equivalents will be reduced and investments, total assets and non-controlling interests ("NCI") will increase. Completion of additional Long-Term Financing transactions is expected to reduce cash and cash equivalents and increase investments.

## Quarterly Results Summary

The following table provides selected quarterly information about the Corporation's financial condition and performance for the period from January 1, 2015 to June 30, 2016.

Quarterly Results Summary	Three Months Ended					
	June 30 2016	March 31 2016	December 31 2015	September 30 2015	June 30 2015	March 31 2015
Revenue:						
Fees and other income	\$ 813,702	\$ 554,610	\$ 1,537,012	\$ 740,757	\$ 273,121	\$ 257,783
Interest revenue	2,567,688	2,385,697	1,254,920	1,256,795	-	-
Net realized gain on sale of investments	-	1,741,260	-	71,386		
Net change in unrealized gains in fair value of investments	1,602,591	410,315	2,965,374	(148,063)		
Total Revenue	\$ 4,983,981	\$ 5,091,882	\$ 5,757,306	\$ 1,920,875	\$ 273,121	\$ 257,783
Total comprehensive income (loss), net of non-controlling interests	\$ 1,748,565	\$ 1,638,766	\$ 1,681,296	\$ 395,220	\$ (42,423)	\$ 220
Weighted average shares outstanding - basic <sup>1</sup>	9,492,045	9,493,353	9,488,094	8,595,480	330,303	303,000
Total comprehensive income(loss) per share - basic <sup>1</sup>	\$ 0.18	\$ 0.17	\$ 0.18	\$ 0.05	\$ (0.13)	-
Weighted average shares outstanding - diluted <sup>1</sup>	9,744,369	9,745,986	9,735,608	8,817,892	330,303	303,000
Total comprehensive income(loss) per share - diluted <sup>1</sup>	\$ 0.18	\$ 0.17	\$ 0.17	\$ 0.04	\$ (0.13)	-
Investments, at fair value through profit or loss	\$ 99,414,291	\$ 82,811,699	\$ 84,367,280	\$ 36,401,906	-	-
Total assets	\$ 138,225,938	\$ 131,819,371	\$ 130,090,183	\$ 114,296,590	\$ 7,200,015	\$ 4,368,382
Total equity	\$ 101,368,403	\$ 100,230,152	\$ 99,260,977	\$ 97,257,858	\$ 728,149	\$ 103,972
Shares outstanding at the end of the period	9,495,210	9,494,002	9,488,094	9,488,094	363,600	303,000
Total equity per share - basic	\$ 10.68	\$ 10.56	\$ 10.46	\$ 10.25	\$ 2.00	\$ 0.34
1. Total comprehensive income(loss) per share, basic and diluted, are based on the weighted average shares outstanding and reflect the 3,030:1 share split which occurred on June 30, 2015.						
2. Crown's financial position at June 30, 2016 and its financial results for the three and six months ended June 30, 2016 are not comparable to the three and six months ended June 30, 2015 due to the IPO and the Rollover Transaction, both completed in July 2015, and the establishment of CCF IV LP and CCPC LP in September 2015 and December 2015, respectively.						

## Discussion of Operations

### Revenues

Revenues of \$5.0 million and \$10.1 million were recognized in the three and six months ended June 30, 2016 (2015 – \$0.3 million and \$0.5 million), respectively. Revenues were higher in 2016 due mainly to inclusion in 2016 of interest, fees and other income and net gains on investments earned by NCOF II, CCF IV LP and CCPC LP.

### Fees and Other Income

The following table provides an overview of the total fees and other income attributable to Shareholders and the non-controlling interests.

Fees and Other Income	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Attributable to:					
			Shareholders			Non-controlling interests		
			Three Months	Six Months		Three Months	Six Months	
Special Situations Financing transactions								
Management fee revenue <sup>1</sup>	\$ 73,853	\$ 147,706	\$ 73,853	\$ 147,706	100.00%	\$ -	\$ -	0.00%
Transaction fees for new loan - CCF IV LP	225,000	225,000	168,750	168,750	75.00%	56,250	56,250	25.00%
Transaction fees for amendments - CCF IV LP	250,000	625,000	125,000	312,500	50.00%	125,000	312,500	50.00%
Transaction fees for amendments - NCOF II	172,947	172,947	120,633	120,633	69.75%	52,314	52,314	30.25%
Interest earned on cash and cash equivalents	91,902	197,659	91,902	197,659	100.00%	-	-	0.00%
Total fees and other income	\$ 813,702	\$ 1,368,312	\$ 580,138	\$ 947,248		\$ 233,564	\$ 421,064	
1. Management fee revenue is net of fees charged to NCOF II and CCF IV LP, which are eliminated on consolidation. Management fees charged to NCOF II and CCF IV LP in the three and six months ended June 30, 2016 were \$232,553 and \$443,703, respectively. For the three and six months ended June 30, 2016, management fees charged on the portion of contributed capital from non-controlling interests were \$98,675 and \$186,662, respectively.								

Fees and other income in the three and six months ended June 30, 2016 were \$0.8 million and \$1.4 million (2015 - \$0.3 million and \$0.5 million), respectively.

The Corporation may receive transaction fees 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. For the three and six months ended June 30, 2016, such transaction fees totaled \$0.6 million and \$1.0 million (2015 - \$nil and \$nil), respectively. Total fees and other income earned in the three months ended June 30, 2016 included transaction fees of \$0.2 million received by CCF IV LP for providing the loan to Gosling, amendment fees earned by CCF IV and NCOF II totaling \$0.4 million for loan amendment agreements, management fees totaling \$0.1 million and interest of \$0.1 million earned on Crown's cash and cash equivalents.

The Corporation earns investment management fees pursuant to management agreements. The base annual management fees are generally equal to 1.75% of contributed capital, as defined in the limited partnership agreements, less any capital distributions and realized losses; however, Crown provides certain limited partners with management fee discounts and Crown may voluntarily reduce its management fees.

On consolidation, 100% of management fees earned from NCOF II and CCF IV LP are eliminated against the management fees expensed by NCOF II and CCF IV LP. The non-controlling interests of each of NCOF II and CCF IV LP incur 30.25% and 50%, respectively, of the management fees while Crown effectively pays itself for the other 69.75% and 50%, respectively, as a result of its ownership interests.

Management fees of \$0.1 million and \$0.1 million were recognized in the three and six months ended June 30, 2016 (2015 - \$0.3 million and \$0.5 million), respectively, from Norrep Credit Opportunities Fund, LP ("**NCOF LP**") and NCOF II (Parallel). Management fees were lower in 2016 due largely to the elimination on consolidation of all management fees charged to CCF IV LP and NCOF II.

Crown earns interest on cash and cash equivalents from such investments as short-term investment certificates and interest on savings accounts. These amounts are included in fees and other income. For the three and six months ended June 30, 2016, interest earned on cash and cash equivalents totaled \$0.1 million and \$0.2 million (2015 - \$1,627 and \$3,416), respectively. Of this interest, 100% is attributable to Shareholders.

### Interest Revenue

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

Interest Revenue	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Attributable to:					
			Shareholders			Non-controlling interests		
			Three Months	Six Months		Three Months	Six Months	
Special Situations Financings								
NCOF II	\$ 607,991	\$ 1,215,955	\$ 424,084	\$ 848,149	69.75%	\$ 183,907	\$ 367,806	30.25%
CCF IV LP	1,089,478	1,996,992	544,739	998,496	50.00%	544,739	998,496	50.00%
Long-term Financings								
CCPC LP	870,219	1,740,438	870,219	1,740,438	100.00%	-	-	0.00%
Total interest revenue	\$ 2,567,688	\$ 4,953,385	\$ 1,839,042	\$ 3,587,083		\$ 728,646	\$ 1,366,302	

Interest revenue in the three and six months ended June 30, 2016 was \$2.6 million and \$5.0 million (2015 - \$nil and \$nil), respectively. The increases in 2016 were due to inclusion of interest earned on investments held by NCOF II, CCF IV and CCPC LP.

### Net Gain on Investments

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

Net Gain on Investments	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016	Attributable to:					
			Shareholders			Non-controlling interests		
			Three Months	Six Months		Three Months	Six Months	
Special Situations Financings								
NCOF II - realized gain	\$ -	\$ 1,741,260	\$ -	\$ 1,214,558	69.75%	\$ -	\$ 526,702	30.25%
sub-total - realized gains	\$ -	\$ 1,741,260	\$ -	\$ 1,214,558		\$ -	\$ 526,702	
NCOF II - unrealized gain <sup>1</sup>	\$ 234,903	\$ 127,474	\$ 163,849	\$ 88,915	69.75%	\$ 71,054	\$ 38,559	30.25%
CCF IV LP - unrealized gain	630,517	854,143	315,259	427,072	50.00%	315,259	427,072	50.00%
Long-term Financings								
CCPC LP - unrealized gain	737,171	1,031,289	737,171	1,031,289	100.00%	-	-	0.00%
sub-total - unrealized gains	\$ 1,602,591	\$ 2,012,906	\$ 1,216,278	\$ 1,547,276		\$ 386,313	\$ 465,630	
Total net gain on investments	\$ 1,602,591	\$ 3,754,166	\$ 1,216,278	\$ 2,761,834		\$ 386,313	\$ 992,332	

1. Six months ended June 30, 2016 includes reversal of unrealized gain on Claude Shares of \$384,326 recognized in 2015.

The Corporation's net gain on investments in the three and six months ended June 30, 2016 totaled \$1.6 million and \$3.8 million (2015 - \$nil and \$nil), respectively. For the three and six months ended June 30, 2016, \$1.2 million and \$2.8 million, respectively, was attributable to Shareholders and \$0.4 million and \$1.0 million, respectively, to non-controlling interests.

The realized gain was the result of the sale by the NCOF Funds of 4,545,454 common shares (the "Claude Shares") of Claude Resources Inc. ("Claude"). In April 2013, the NCOF Funds provided a \$25.0 million loan to Claude which was repaid, in full, in September 2015. In April 2014, in exchange for a forbearance agreement, the NCOF Funds received the Claude Shares, which were valued at that time at \$1.0 million. The Claude Shares were sold during the three months ended March 31, 2016 for a total of \$5.3 million. The pro rata portion of the Claude Shares attributable to NCOF II was valued at \$2.4 million at the date of the Rollover Transaction and NCOF II's share of the sale proceeds totaled \$4.1 million, resulting in a realized gain of \$1.7 million.

For the three and six months ended June 30, 2016, unrealized gains on investments were primarily due to changes in the value of loans and equity instruments held in the Crown portfolio. The increases in the value of loans were mainly due to lower benchmark interest rates resulting in reductions to the discount rates used to calculate the present value of future cashflows.

### **Expenses**

Expenses in the three and six months ended June 30, 2016 totaled \$1.4 million and \$3.1 million (2015 - \$0.3 million and \$0.6 million), respectively. Operating costs are mostly fixed with the largest cost being employee compensation, including share-based compensation, amounts accrued for annual employee bonuses and performance bonus expense. Expenses for the three and six months ended June 30, 2016 include salaries, management fees and benefits expense of \$0.3 million and \$0.9 million, share-based compensation expense of \$0.5 million and \$0.8 million, and performance bonus expense of \$0.2 million and \$0.6 million, respectively.

### Salaries, management fees and benefits

Salaries, management fees and benefits expense totaled \$0.3 million and \$0.9 million in the three and six months ended June 30, 2016 (2015 - \$0.2 million and \$0.4 million), respectively. The increase in salaries, management fees and benefits expenses in the three and six months ended June 30, 2016, compared to the same periods in 2015, was due primarily to new compensation and employee bonus arrangements post-IPO and the addition of the CIO and three senior business development executives to increase Crown's capacity to originate, underwrite and manage new transactions.

### Share-based Compensation

Share-based compensation expense is recognized over the expected vesting period of each award. Share-based compensation totaled \$0.5 million and \$0.8 million, respectively, in the three and six months ended June 30, 2016 (2015 - \$nil and \$nil), respectively.

On January 29, 2016, concurrent with a dividend payment, the Corporation issued 2,586 transition restricted share units ("**TRSUs**"), 516 performance share units ("**PSUs**") and 409 restricted share units ("**RSUs**") (each a "**Share Unit**" and, collectively with TRSUs, RSUs and PSUs issued in other periods, the "**Share Units**") to key management personnel, directors and employees. On May 20, 2016, concurrent with an additional dividend payment, the Corporation issued 2,124 TRSUs, 425 PSUs and 334 RSUs, also to key management personnel, directors and employees. Share Units issued in the three and six months ended June 30, 2016 were issued in lieu of dividends on outstanding Share Units ("**Dividend Share Units**"). Share Units vest at a variety of times. TRSUs and employee-held RSUs vest in July 2018. Dividend Share Units vest on the same date as the respective Share Units for which they were awarded.

The number of Dividend Share Units issued on January 29, 2016 and May 20, 2016 was based on the weighted average trading price of the Common Shares in the five days previous to the issue date (\$7.74 and \$9.55, respectively). For the three and six months ended June 30, 2016, the Corporation expensed \$9,135 and \$11,843 (2015 - \$nil and \$nil), respectively, as share-based compensation related to Dividend Share Units.

All of the above-noted Share Units remained outstanding as at June 30, 2016.

Also included in share-based compensation for the three and six months ended June 30, 2016 was \$54,058 and \$104,276, respectively, for the issuance of retainer restricted share units ("**RRSUs**") to directors as partial payment of director retainers. RRSUs vest immediately upon grant and, on the issue date, each was exchanged for one Common Share. In the three and six months ended June 30, 2016, a total of \$54,018 and \$104,276, respectively, was added to share capital for vesting of RRSUs.

For the three and six months ended June 30, 2016, the Corporation expensed \$72,488 and \$151,689 (2015 - \$nil and \$nil), respectively, as share-based compensation related to the stock options ("**Options**") issued in prior periods. A total of 31,818 Options were forfeited in the three months ended June 30, 2016 and 460,031 Options remained outstanding as at June 30, 2016. The Options granted were fair valued using a Black-Scholes formula and the expense is recognized over the vesting period. The Options vest over a three-year period and have a five-year term and an exercise price of \$11.00.

### Professional Fees and Other

Professional fees and other expenses totaled \$0.4 million and \$0.8 million in the three and six months ended June 30, 2016 (2015 - \$0.1 million and \$0.2 million), respectively. Professional fees and other includes costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, depreciation, office administration and other costs.

### Performance Bonus Expense

The Corporation has an asset performance bonus pool (“**APBP**”) arrangement for certain individuals and entities, primarily employees and pre-IPO Shareholders (the “**APBP Participants**”). For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% (the “**Preferred Return**”) earned by the fund will accrue to the general partner as performance fee distributions. The Corporation’s current compensation policy provides that 50% of any performance fee distributions earned after the closing of the IPO will be distributed to the APBP Participants with the other 50% retained by the Corporation. Performance fee distributions from funds, and payments to APBP Participants, do not occur until certain conditions have been satisfied, including the return of all capital contributed to such fund, and distribution to the investors of the Preferred Returns.

For the three and six months ended June 30, 2016, Crown accrued performance bonus expense of \$184,833 and \$574,495 (2015 – \$nil and \$nil), respectively.

### ***Earnings before Income Taxes***

For the three and six months ended June 30, 2016, Crown had earnings before income taxes of \$3.6 million and \$7.0 million [2015 – loss of (\$49,910) and (\$49,651)], respectively.

### ***Income Taxes***

For the three and six months ended June 30, 2016, Crown recorded current tax expense (recovery) of \$0.7 million and \$1.5 million [2015 – (\$7,487) and (\$7,448)] and deferred tax of \$35,447 and \$16,633 (2015 - \$nil and \$nil), respectively.

The Corporation’s consolidated effective tax rate for the three and six months ended June 30, 2016 was 30%. The effective tax rate is higher than the statutory rate of 27% due to the non-deductibility for tax purposes of non-cash share-based compensation.

The deferred income tax asset at June 30, 2016 of \$1.7 million results primarily from financing costs associated with the IPO which are deductible for tax purposes over a five-year period and performance bonus pool expenses which are not deductible for tax purposes until future periods.

### ***Net Income and Comprehensive Income***

For the three and six months ended June 30, 2016, Crown earned net income and comprehensive income of \$2.8 million and \$5.5 million [2015 – loss of (\$42,423) and (\$42,203)], respectively.



### ***Net Income and Comprehensive Income Attributable to Shareholders of the Corporation and Non-controlling Interests***

For the three and six months ended June 30, 2016, net income and comprehensive income attributable to Shareholders was \$1.7 million and \$3.4 million [2015 – loss of (\$42,423) and (\$42,203)], respectively. Net income and comprehensive income attributable to non-controlling interests was \$1.1 million and \$2.1 million (2015 – \$nil and \$nil).

### **Adjusted EBIT**

Crown achieved Adjusted EBIT in the three and six months ended June 30, 2016 of \$3.0 million and \$5.7 million, respectively. Adjusted EBIT is calculated by Crown as earnings (loss) before finance costs, non-cash share-based compensation and income taxes less net income (loss) and comprehensive income (loss) attributable to non-controlling interests.

A reconciliation of earnings (loss) before income taxes to Adjusted EBIT for the three and six months ended June 30, 2016 is shown in the following table:

<b>Reconciliation of Earnings (Loss) before Income Taxes to Adjusted EBIT</b>	<b>Three Months Ended June 30 2016</b>	<b>Six Months Ended June 30 2016</b>
Earnings before income taxes	\$3,578,348	\$6,964,305
Add: financing costs	-	-
Add: non-cash share-based compensation	473,263	848,012
Deduct: net income and comprehensive income attributable to non-controlling interests	(1,083,529)	(2,099,735)
Adjusted EBIT	\$2,968,082	\$5,712,582

The Corporation believes Adjusted EBIT is a useful supplemental measure that may assist investors in assessing the financial performance of the Corporation and the cash anticipated to be generated by Crown's business. Adjusted EBIT is not a measure of financial performance (nor does it have a standardized meaning) under IFRS. In evaluating this measure, investors should consider that the methodology applied in calculating this measure may differ among companies and analysts.

### **Liquidity and Capital Resources**

Cash and cash equivalents at June 30, 2016 totaled \$36.3 million (December 31, 2015 - \$43.6 million).

The Corporation's current liabilities at June 30, 2016 totaled \$2.5 million (December 31, 2015 - \$4.3 million). Accounts payable and accrued liabilities at June 30, 2016 of \$0.8 million (December 31, 2015 - \$0.9 million) included normal-course amounts due to NCOF LP, NCOF II Parallel, and suppliers.

From time to time, the Corporation may receive interest payments in advance of the period for which the interest charges are applicable. At June 30, 2016, deferred interest revenue included \$10,605 to reflect such advance payments of loan interest (December 31, 2015 – \$1.8 million).

Distributions payable to non-controlling interests at June 30, 2016 totaled \$0.6 million (December 31, 2015 – \$0.4 million) and income taxes payable were \$1.1 million (December 31, 2015 - \$1.2 million). Working capital at June 30, 2016 was \$34.6 million (December 31, 2015 - \$39.8 million).

The Corporation, on a segregated basis, retains sufficient capital to ensure it meets minimum excess working capital requirements under applicable securities law. This minimum amount was \$100,000 as at June 30, 2016.

At June 30, 2016, only \$25 million (50%) of the \$50 million committed to CCP IV LP to that date by limited partners other than Crown had been drawn by CCP IV LP, leaving \$25 million of committed capital available to CCF IV LP from parties other than Crown. CCF IV LP has a maximum size of \$300 million, with additional closings expected to occur prior to September 2018 as opportunities are identified to fund Special Situations Financing transactions and subscriptions in CCF IV LP are received. On July 15, 2016, CCF IV LP completed a subsequent closing of subscriptions for an additional 25,000 limited partnership units at \$1,000 per unit, bringing the total capital committed to CCF IV LP to \$125 million.

The Corporation has sufficient liquidity to fund its commitment to CCF IV LP.

The Corporation has had discussions with potential lenders and it is possible that the Corporation will obtain debt financing in the future to supplement its liquidity and capital resources; however, no such commitments have been made as of the date hereof.

#### **Investments, at Fair Value through Profit or Loss**

At June 30, 2016, the Corporation held investments in six Canadian companies. Investments, at fair value through profit or loss, at June 30, 2016 totaled \$99.4 million (December 31, 2015 - \$84.4 million). Additional information about investments at fair value through profit or loss can be found in Note 3, Fair value measurement in the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2016.

#### **Provision for Performance Bonus**

The Corporation has obligations to certain individuals and entities, primarily employees, under the APBP, which will become payable in the event performance fee distributions are received by the Corporation from certain investment funds it manages. The provision for performance bonus at June 30, 2016 totaled \$2.6 million compared to \$2.0 million at December 31, 2015.

#### **Non-Controlling Interests**

As a result of the Rollover Transaction, Crown acquired approximately 69.75% of the outstanding units of NCOF II resulting in non-controlling interests in NCOF II of approximately 30.25%. Through CCFC's subscription for 50,000 units of CCF IV LP, Crown acquired a 50% interest in CCF IV LP, resulting in non-controlling interests in CCF IV LP of 50%. At June 30, 2016, non-controlling interests was \$31.8 million (December 31, 2015 - \$24.6 million). The increase compared to December 31, 2015 was due primarily to a capital call by CCF IV LP in April 2016 totaling \$15 million, of which \$7.5 million was contributed by Crown and \$7.5 million by non-controlling interests.

## **Share Capital**

As at June 30, 2016, total share capital was \$96.4 million (December 31, 2015 - \$96.4 million).

In the six months ended June 30, 2016, the Corporation issued 11,816 Common Shares to directors in lieu of a portion of directors' retainers. The total value assigned to the Common Shares was \$104,276 and this amount was added to share capital.

On April 6, 2016, the Corporation announced an NCIB under which Crown has the right to purchase up to 620,000 Common Shares representing approximately 10% of the public float of Common Shares and approximately 6.5% of the issued and outstanding Common Shares. The NCIB commenced on April 8, 2016 and will remain in effect until the earlier of April 7, 2017, the termination of the NCIB by Crown and Crown purchasing the maximum number of Common Shares permitted under the NCIB. Common Shares purchased by the Corporation pursuant to the NCIB will be cancelled. In the three months ended June 30, 2016, Crown purchased 4,700 Common Shares under the NCIB at an average price of \$8.46 per Common Share.

The total number of Common Shares outstanding at June 30, 2016 was 9,495,210 (December 31, 2015 - 9,488,094 and July 26, 2016 - 9,518,839).

## **Contributed Surplus**

At June 30, 2016, Crown's contributed surplus of \$1.6 million included the amount of \$0.5 million and \$0.8 million for share-based compensation expense recorded in the three and six months ended June 30, 2016, respectively, for Share Units and Options outstanding during those periods, less \$104,277 transferred to share capital for RSUs vested in the period and shares issued.

## **Cash Flows**

Cash and cash equivalents at June 30, 2016 totaled \$36.3 million (December 31, 2015 - \$43.6 million). In the three and six months ended June 30, 2016, the Corporation's cash balance was decreased mainly by completion of the Gosling investment, the payment of dividends to Shareholders and distributions to non-controlling interests. These cash uses were partially offset by proceeds from the sale of the Claude Shares, capital contributions by non-controlling interests and net income and comprehensive income of \$5.5 million.

On April 22, 2016, the Corporation declared a quarterly dividend of \$0.11 per Common Share. The dividend was paid on May 20, 2016 to Shareholders of record on May 6, 2016.

## **Off-Balance Sheet Arrangements**

The Corporation, through CCFC, subscribed for 50,000 units of CCF IV LP. This subscription includes a commitment by Crown to provide up to \$50 million to CCF IV LP as funds are called by CCF IV LP to fund new Special Situations Financing transactions. As of June 30, 2016, the Corporation had contributed capital to CCF IV LP totaling \$25 million. Crown has no other material off-balance sheet arrangements.

## **Subsequent Events**

On July 15, 2016, CCF IV LP completed a subsequent capital raise with subscriptions for an additional 25,000 limited partnership units at \$1,000 per unit, bringing the total capital committed to CCF IV LP to \$125 million. As a result of the subsequent capital raise, Crown now holds a 40% controlling interest in CCF IV LP, compared to 50% as at June 30, 2016.

## **Critical Estimates and Accounting Policies**

The preparation of the unaudited 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.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2015 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Financial Instruments and Associated Risks**

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate carrying value due to the short term to maturity of the instruments. The fair value of the performance bonus payable approximates its carrying value.

The Corporation, through its subsidiaries CCFC, NCOF II, CCF IV and CCPC LP, also holds investments in debt and equity securities at fair value through profit or loss.

Additional information about financial instruments and associated risks can be found in the Corporation's 2015 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at [www.sedar.com](http://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. A complete 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](http://www.sedar.com).

## **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The CEO and 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 evaluated the design and operating effectiveness of Crown's DC&P and ICFR and concluded that Crown's DC&P and ICFR were effective as at June 30, 2016. 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 on June 30, 2016 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 CCF IV LP and CCPC LP;
- the investments of CCF IV LP in Special Situations Financing transactions and the potential structuring of such transactions;
- the performance of financing clients;
- the investments of CCPC LP 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 CCF IV LP and CCPC LP 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 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.

### **Additional Information**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com), including the AIF.





# Condensed Consolidated Interim Financial Statements

Three months ended June 30, 2016

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Financial Position (unaudited)

As at	June 30, 2016	December 31, 2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,338,592	\$ 43,641,313
Accounts receivable	746,005	314,998
Prepaid expenses	38,535	69,692
	37,123,132	44,026,003
Investments, at fair value through profit or loss (Note 3)	99,414,291	84,367,280
Property, plant and equipment	19,437	11,189
Deferred income taxes	1,669,078	1,685,711
	<b>\$ 138,225,938</b>	<b>\$ 130,090,183</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 755,457	\$ 898,926
Deferred interest revenue	10,605	1,751,042
Distributions payable to non-controlling interest	622,975	420,862
Income taxes payable	1,103,118	1,192,731
	2,492,155	4,263,561
Provision for performance bonus (Note 4)	2,569,135	1,994,640
Non-controlling interests (Note 7)	31,796,245	24,571,005
<b>Total Liabilities</b>	<b>36,857,535</b>	<b>30,829,206</b>
<b>Equity</b>		
Share capital	96,442,934	96,386,398
Contributed surplus	1,580,169	836,434
Retained earnings	3,345,300	2,038,145
<b>Total Equity</b>	<b>101,368,403</b>	<b>99,260,977</b>
	<b>\$ 138,225,938</b>	<b>\$ 130,090,183</b>
<b>Commitments (Note 9)</b>		
<b>Subsequent events (Note 10)</b>		

See accompanying notes to condensed consolidated interim financial statements.

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Comprehensive Income (Loss) (unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2016	2015	2016	2015
<b>Revenues</b>				
Fees and other income	\$ 813,702	\$ 273,121	\$ 1,368,312	\$ 530,904
Interest revenue	2,567,688	-	4,953,385	-
Net gain on investments				
Net realized gain on sale of investments	-	-	1,741,260	-
Net change in unrealized gains in fair value of investments	1,602,591	-	2,012,906	-
	4,983,981	273,121	10,075,863	530,904
<b>Expenses</b>				
Salaries, management fees and benefits	340,766	202,859	922,514	367,723
Share-based compensation (Note 6)	473,263	-	848,012	-
Professional fees and other	405,320	119,579	764,156	211,600
Performance bonus expense	184,833	-	574,495	-
Depreciation	1,451	593	2,381	1,232
	1,405,633	323,031	3,111,558	580,555
<b>Earnings (loss) before income taxes</b>	3,578,348	(49,910)	6,964,305	(49,651)
Income taxes				
Current tax expense (recovery)	710,807	(7,487)	1,460,606	(7,448)
Deferred tax	35,447	-	16,633	-
	746,254	(7,487)	1,477,239	(7,448)
<b>Net income (loss) and comprehensive income (loss)</b>	\$ 2,832,094	\$ (42,423)	\$ 5,487,066	\$ (42,203)
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>				
Shareholders of the Corporation	\$ 1,748,565	\$ (42,423)	\$ 3,387,331	\$ (42,203)
Non-controlling interests (Note 7)	1,083,529	-	2,099,735	-
	\$ 2,832,094	\$ (42,423)	\$ 5,487,066	\$ (42,203)
<b>Earnings (loss) per share attributable to shareholders:</b>				
Basic	\$ 0.18	\$ (0.14)	\$ 0.36	\$ (0.14)
Diluted	0.18	(0.14)	0.35	(0.14)
Weighted average number of shares, basic	9,492,045	303,000	9,492,699	303,000
Weighted average number of shares, diluted	9,744,369	303,000	9,743,724	303,000

See accompanying notes to condensed consolidated interim financial statements.

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the six months ended June 30, 2016 and 2015

	Number of shares	Share capital	Contributed surplus	Retained earnings	Total Equity
Balance as at January 1, 2015	303,000	\$ 100	\$ 99,820	\$ 3,832	\$ 103,752
Net loss and comprehensive loss attributable to shareholders of the Corporation		-	-	(42,203)	(42,203)
Issuance of common shares	60,600	666,600	-	-	666,600
Balance as at June 30, 2015	363,600	\$ 666,700	\$ 99,820	\$ (38,371)	\$ 728,149
Balance as at January 1, 2016	9,488,094	\$ 96,386,398	\$ 836,434	\$ 2,038,145	\$ 99,260,977
Net income and comprehensive income attributable to shareholders of the Corporation		-	-	3,387,331	3,387,331
Share-based compensation (Note 6)			848,012	-	848,012
Issuance of common shares (Note 6)	11,816	104,277	(104,277)		-
Shares repurchased (Note 5)	(4,700)	(47,741)		7,987	(39,754)
Dividends declared		-	-	(2,088,163)	(2,088,163)
Balance as at June 30, 2016	9,495,210	\$ 96,442,934	\$ 1,580,169	\$ 3,345,300	\$ 101,368,403

See accompanying notes to condensed consolidated interim financial statements.

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Cash Flows (unaudited)

For the six months ended June 30,	2016	2015
Cash provided by (used in) operating activities		
Net income (loss) and comprehensive income (loss)	\$ 5,487,066	\$ (42,203)
Proceeds from sale of equity securities	4,082,155	-
Purchase of investments	(15,375,000)	-
Non-cash items:		
Net realized gain on sale of investments	(1,741,260)	-
Net change in unrealized gains in fair value of investments	(2,012,906)	-
Depreciation	2,381	1,232
Deferred income tax	16,633	-
Share-based compensation	848,012	-
Net change in non-cash working capital (Note 8)	(1,798,874)	2,495,720
	(10,491,793)	2,454,749
Cash provided by (used in) investing activities		
Purchase of property, plant & equipment	(10,629)	-
	(10,629)	-
Cash provided by (used in) financing activities		
Non-controlling interest contributions to CCF IV LP	7,500,000	-
Distributions paid by NCOF II to non-controlling interest	(1,541,993)	-
Distributions paid by CCF IV to non-controlling interest	(630,389)	-
Repayment of shareholder advances	-	250,000
Issue of share capital	-	20
Acquisition of deferred financing costs	-	(60,039)
Shares repurchased	(39,754)	-
Dividends	(2,088,163)	-
	3,199,701	189,981
Increase (decrease) in cash and cash equivalents	(7,302,721)	2,644,730
Cash and cash equivalents, beginning of period	43,641,313	2,722,124
Cash and cash equivalents, end of period	\$ 36,338,592	\$ 5,366,854
Supplemental cash flow information:		
Interest received in the period	\$ 4,920,540	\$ 3,386
Income taxes paid in the period	\$ 854,659	\$ -

See accompanying notes to condensed consolidated interim financial statements.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

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## 1. Reporting entity:

Crown Capital Partners Inc. (the “Corporation”) was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation provides investment management services and its principal place of business is Suite 888 3<sup>rd</sup> Street, S.W., Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2016 and 2015 comprise the Corporation and its subsidiaries.

On July 9, 2015, the Corporation issued 5,910,000 common shares pursuant to an Initial Public Offering (“IPO”). Immediately prior to the closing of the IPO, the Corporation acquired 69.75% of the outstanding limited partnership units of Norrep Credit Opportunities Fund II, LP (“NCOF II”) in exchange for 3,214,494 common shares of the Corporation. On September 4, 2015 Crown Capital Fund IV Management Inc. (“CCF IV”), a wholly-owned subsidiary, was incorporated. CCF IV is the general partner of Crown Capital Fund IV LP (“CCF IV LP”), which is 50% owned by the Corporation through its wholly-owned subsidiary Crown Capital Funding Corp (“CCFC”) (see Note 10).

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

## 2. Basis of preparation:

### (a) Statement of compliance:

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards as issued by the IASB. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation’s financial position and results of operations since the last annual consolidated financial statements as at and for the year ended December 31, 2015. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2015.

These condensed consolidated interim financial statements were authorized for issue by the Corporation’s Board of Directors on August 9, 2016.

### (b) Basis of measurement:

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

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

## 2. Basis of preparation (continued):

### (c) Functional and presentation currency:

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

### (d) Use of estimates and judgments:

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

(i) Note 3 – fair value measurement of investments; and

(ii) Note 6 – measurement of share-based compensation.

## 3. Fair value measurement:

### (a) Investments

As at	June 30, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Canadian equity securities	\$ 1,290,692	\$ 2,383,501	\$ 1,684,344	\$ 4,630,017
Canadian debt securities	94,453,597	97,030,790	79,453,597	79,737,263
Total Investments	\$ 95,744,289	\$ 99,414,291	\$ 81,137,941	\$ 84,367,280

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

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

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

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### 3. Fair value measurement (continued):

#### (a) Investments (continued):

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

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

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



# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

## 3. Fair value measurement (continued):

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

The tables below analyze investments measured at fair value at June 30, 2016 and December 31, 2015, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

June 30, 2016				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian equity securities	\$ 1,433,735	\$ -	\$ -	\$ 1,433,735
Canadian warrants		949,766		949,766
Canadian debt securities	-	-	97,030,790	97,030,790
Total Investments	\$ 1,433,735	\$ 949,766	\$ 97,030,790	\$ 99,414,291

December 31, 2015				
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian equity securities	\$ 3,485,222	\$ -	\$ -	\$ 3,485,222
Canadian warrants		1,144,795		1,144,795
Canadian debt securities	-	-	79,737,263	79,737,263
Total Investments	\$ 3,485,222	\$ 1,144,795	\$ 79,737,263	\$ 84,367,280

The level 3 investments as at June 30, 2016 and December 31, 2015 comprise private investments in Canadian debt instruments. Each loan is valued using the discounted present value of expected cash flows arising from these debt instruments.

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

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

## 3. Fair value measurement (continued):

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

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

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

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

June 30, 2016	
	Private Debt Securities
Beginning balance, January 1, 2016	\$ 79,737,263
Purchases	15,000,000
Unrealized gains	2,293,527
Balance, June 30, 2016	\$ 97,030,790

December 31, 2015	
	Private Debt Securities
Beginning balance, January 1, 2015	\$ -
Acquired on acquisition of NCOF II	44,084,920
Purchases	59,084,308
Repayment	(24,887,427)
Unrealized gains	1,455,462
Balance, December 31, 2015	\$ 79,737,263

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

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## 3. Fair value measurement (continued):

### (c) Canadian debt instruments

As at June 30, 2016 and December 31, 2015, investments held in the form of Canadian debt securities had coupon interest rates ranging from 10.0% to 14.0% per annum with maturity dates from June 1, 2018 to December 15, 2025.

### (d) Financial instruments not measured at fair value

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

The fair value of the performance bonus payable approximates its fair value.

## 4. Provision for performance bonus:

The Corporation has an asset performance bonus pool (“APBP”) arrangement for certain individuals and entities, primarily employees and pre-IPO shareholders (the “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 will accrue to the Corporation as performance fee distributions. Prior to the closing of the IPO, the Corporation committed to pay 100% of performance fee distributions earned to that date from NCOF II to the APBP Participants. In addition, the Corporation’s current compensation policy provides that 50% of such performance fee distributions earned after the closing of the IPO will be distributed to the APBP Participants who are employees.

Accordingly, the performance fee distributions accrued in NCOF II at the date of acquisition are recognized as the provision for performance bonus in the consolidated statement of financial position at June 30, 2016. The provision for performance bonus at June 30, 2016 of \$2,569,135 (December 31, 2015 of \$1,994,640) also includes 50% of performance fee distributions accrued post-IPO for both NCOF II and CCF IV LP.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

## 5. Share capital

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

During the three and six months ended June 30, 2016, the Corporation purchased and cancelled a total of 4,700 shares for total consideration of \$39,754 (average price \$8.46 per share). The average book value of the shares repurchased of \$10.16 per share was recorded as a reduction to share capital. The excess of the average book value over the market price, including transaction costs, totaled \$7,987 and was recorded as an increase to retained earnings.

## 6. Share-based compensation:

The table below details the share-based compensation expense recognized in the three and six months ended June 30, 2016. Share-based compensation expense is recognized over the expected vesting period of each award.

For the six months ended June 30, 2016					
	Number outstanding at January 1, 2016	Issued in the period	Vested, exercised outstanding at or forfeited June 30, 2016	Number outstanding at June 30, 2016	Expensed in the period
TRSUs <sup>1</sup>	181,818	4,710	-	186,528	\$ 290,311
PSUs <sup>1</sup>	36,528	941	-	37,469	226,350
RSUs <sup>1</sup>	29,168	743	-	29,911	75,385
RRSUs	-	11,816	(11,816)	-	104,277
Total Share Units	247,514	18,210	(11,816)	253,908	696,323
Stock options <sup>2</sup>	491,849	-	(31,818)	460,031	151,689
Total	739,363	18,210	(43,634)	713,939	\$ 848,012

<sup>1</sup> The TRSUs, PSUs and RSUs issued in the period were issued in lieu of dividends on the underlying securities.

<sup>2</sup> 31,818 stock options were forfeited in the period.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

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## 6. Share-based compensation (continued):

On January 29, 2016 and May 20, 2016 and concurrent with a dividend payment, the Corporation issued 2,586 and 2,124 transition restricted share units ("TRSUs"), 516 and 425 performance share units ("PSUs") and 409 and 334 restricted share units ("RSUs"), respectively, (each a "Share Unit" and, collectively with TRSUs, RSUs and PSUs issued in prior periods, the "Share Units") to key management personnel, directors and employees. Share Units issued in the three and six months ended June 30, 2016 were issued in lieu of dividends on outstanding Share Units (the "Dividend Share Units"). Dividend Share Units vest on the same date as the respective Share Units for which they were awarded. The number of Dividend Share Units issued was based on the weighted average trading price of the common shares in the five days preceding payment of the dividends (\$7.74 and \$9.55 respectively).

It was estimated at the time of issue in 2015 that the vesting criteria related to a portion of the PSUs would be satisfied on July 9, 2017. The conditions were satisfied on July 18, 2016, and accordingly the PSUs vested on that date. The amortization period for these PSUs was adjusted in the three months ended June 30, 2016 to reflect the actual vesting date.

Also included in share-based compensation for the three and six months ended June 30, 2016 was \$54,058 and \$104,276 for the issuance of 5,908 Retainer Restricted Share Units ("RRSUs") on each of January 11, 2016 and June 30, 2016 to directors as partial payment of director retainers. RRSUs vest immediately upon grant and, on the issue date, each was exchanged for one common share of the Corporation.

Stock options granted are fair valued using a Black-Scholes formula and the expense is recognized over the vesting period. The Stock options vest over a three-year period and have a five-year term and an exercise price of \$11.00. There were nil exercisable options at June 30, 2016.

## 7. Non-controlling interests:

Non-controlling interests in net income and comprehensive income of 30.25% in NCOF II amounted to \$226,446 and \$761,252, respectively, for the three and six months ended June 30, 2016 (2015 - \$nil and \$nil). Non-controlling interest in net income and comprehensive income of 50% in CCF IV LP amounted to \$857,083 and \$1,338,483, respectively, for the three and six months ended June 30, 2016 (2015 - \$nil and \$nil).

Non-controlling interests at June 30, 2016 represents the opening balance as at January 1, 2016 of \$24,571,005 plus the share of net income and comprehensive income attributable to non-controlling interests in 2016 of \$2,099,735, plus contributions received from non-controlling interests of \$7,500,000 less distributions declared in 2016 to non-controlling interests of \$2,374,495.

Non-controlling interests at December 31, 2015 represents the acquisition of NCOF II of \$14,526,035, plus the non-controlling interests' contribution to CCF IV LP of \$17,500,000, plus the share of net income and comprehensive income attributable to non-controlling interests in 2015 of \$1,811,714, less distributions declared in 2015 to non-controlling interests of \$9,266,744.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2016

## 8. Net change in non-cash working capital:

Six months ended June 30,	2016	2015
Accounts receivable	\$ (431,007)	\$ (11,031)
Prepaid expenses	31,157	(28,608)
Accounts payable and accrued liabilities	(143,469)	2,543,178
Deferred interest revenue	(1,740,437)	-
Performance bonus payable	574,495	-
Income tax payable	(89,613)	(7,819)
Total	\$ (1,798,874)	\$ 2,495,720

## 9. Commitments:

In 2015, the Corporation entered into a commitment to contribute capital of \$50,000,000 to CCF IV LP. Of this commitment, \$25,000,000 was contributed as of June 30, 2016.

## 10. Subsequent events:

On July 15, 2016, CCF IV LP completed a subsequent closing with subscriptions for an additional 25,000 limited partnership units at \$1,000 per unit, bringing the total capital committed to CCF IV LP to \$125.0 million.

The Corporation has committed to invest up to \$50.0 million in CCF IV LP and did not participate in the subsequent closing, with the result that the Corporation holds a 40% controlling interest in CCF IV LP effective July 15, 2016, compared with 50% as at June 30, 2016.

# CORPORATE DIRECTORY

## DIRECTORS

**George Fowlie**, MBA  
Chair of the Board

**Sandra Cowan**  
Director

**Robert Gillis**, CPA, CA  
Director

**Christopher A. Johnson**, CFA  
Director

**Glen Roane**, MBA, ICD.D  
Director

**Alan Rowe**, CPA, CA  
Director

**Peter Snucins**  
Director

## OFFICERS

**Christopher A. Johnson**, CFA  
President and  
Chief Executive Officer

**Lyle Bolen**, FCPA, FCA  
Chief Financial Officer

**Tim Oldfield**, CA, CPA, CFA, CBV  
Senior Vice President,  
Chief Investment Officer

**Brent G. Hughes**, CFA  
Senior Vice President,  
Business Development

## SHAREHOLDER INFORMATION

### Stock Exchange Listing

The Company's common shares are listed on the Toronto Stock Exchange under the symbol "CRN".

### Shareholder Inquiries

Inquiries regarding change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent.

### Transfer Agent

TMX Equity Transfer Services  
1 (866) 393-4891 ext. 205 or  
TMXInvestorServices@tmx.com

### Legal Counsel

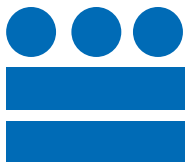
Torys LLP

### Auditors

KPMG LLP

## INVESTOR RELATIONS

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