

Crown Capital Partners Inc.  
2016 THIRD QUARTER REPORT



# Management's Discussion and Analysis

for the three and nine months ended September 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 nine months ended September 30, 2016 is prepared as of November 8, 2016. This discussion is the responsibility of management and should be read in conjunction with the Corporation's September 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 September 30, 2016

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

- earned total comprehensive income attributable to shareholders of the Corporation ("**Shareholders**") of \$0.8 million on revenues of \$2.9 million;
- on September 9, 2016, paid a quarterly dividend of \$0.11 per common share of the Corporation (a "**Common Share**") to Shareholders of record on August 29, 2016; and
- On July 15, 2016, Crown Capital Fund IV, LP ("**CCF IV LP**") completed a 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.

On November 8, 2016, Crown announced the signing in escrow by CCF IV LP of a \$15.0 million term loan (the "**Agreement**") with Touchstone Exploration Inc. ("**Touchstone**"), a Calgary-based publicly-traded company engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas, with its primary focus in the Republic of Trinidad and Tobago. The term loan bears a fixed interest rate of 8.0% per annum, compounded and payable quarterly, and matures in 60 months. In addition, the agreement calls for the receipt of a 1% royalty on Touchstone's petroleum revenue for 60 months, which will be calculated and paid quarterly. The agreement will be released from escrow and the loan will be advanced to Touchstone upon satisfaction of conditions precedent, including security registrations in Trinidad in favour of CCF IV LP.

## Overall Performance

Crown's financial results for the nine months ended September 30, 2016 are not comparable to the nine months ended September 30, 2015 due to the initial public offering of Common Shares (the "**IPO**") and the acquisition of Norrep Credit Opportunities Fund II, LP ("**NCOF II**") (the "**Rollover Transaction**"), both completed in July 2015.

Total assets increased from \$130.1 million at December 31, 2015 to \$151.6 million at September 30, 2016, including an increase in investments at fair value from \$84.4 million to \$99.4 million and an increase in cash and cash equivalents from \$43.6 million to \$46.5 million. The increase in total assets was largely a result of increased capital invested in CCF IV LP by non-controlling interests. Total equity increased from \$99.3 million at December 31, 2015 to \$101.3 million at September 30, 2016.

Total revenues in the three and nine months ended September 30, 2016 were \$2.9 million and \$12.9 million, respectively, compared to \$1.9 million and \$2.5 million in the three and nine months ended September 30, 2015, respectively. Revenues were higher in the three and nine months ended September 30, 2016 due to a combination of factors including the Rollover Transaction and the lending activity of CCF IV LP and CCPC LP. In particular, interest revenue on investments held by NCOF II, CCF IV LP and Crown Capital Private Credit LP ("**CCPC LP**") became the primary sources of revenues as a result of the IPO and Rollover Transaction and the establishment of CCF IV LP and CCPC LP.

Expenses in the three and nine months ended September 30, 2016 were \$1.0 million and \$4.1 million, respectively, compared to \$1.4 million and \$2.0 million in the three and nine months ended September 30, 2015, respectively.

Expenses in the three months ended September 30, 2016 were lower than in the same period in 2015, in part due to lower accruals for employee bonuses.

Expenses in the nine months ended September 30, 2016 were higher due primarily to new compensation and employee bonus arrangements post-IPO and the addition of the Chief Investment Officer and senior business development executives to increase Crown's capacity to originate, underwrite and manage new transactions. Expenses also increased due to increased general and administration expenses and accrual of performance bonus pool expenses.

Net income and comprehensive income attributable to Shareholders were \$0.8 million and \$4.2 million in the three and nine months ended September 30, 2016, respectively, compared with \$0.4 million and \$0.4 million in the three and nine months ended September 30, 2015, respectively. The major factors impacting net income and comprehensive income attributable to Shareholders were increased revenue from NCOF II investments subsequent to the Rollover Transaction and lending activity of CCF IV LP and CCPC LP.

Crown consolidates 100% of its approximate 69.75% interest in NCOF II and, through its wholly-owned subsidiary, Crown Capital Funding Corporation ("**CCFC**"), its 40% interest in CCF IV LP (50% prior to July 1, 2016) 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 nine months ended September 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 nine months ended September 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 held a 40% controlling interest in CCF IV LP at September 30, 2016, 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 September 30, 2016

At September 30, 2016, Crown held ownership interests in six loans.

Borrower	Loan Principal Amount Outstanding at September 30, 2015 <sup>(1)</sup>	Loan Principal Amount Outstanding at September 30, 2016 <sup>(1)</sup>	Attributable at September 30, 2016 to		Status
			Shareholders	Non-controlling interests	
<b>Special Situations Financing transactions</b>					
CRH Medical Corporation (“ <b>CRH</b> ”) <sup>1</sup>	\$22,500,000	\$22,500,000	\$12,063,330	\$5,231,346	Current
Corrosion Services Company Limited (“ <b>Corrosion</b> ”) <sup>1</sup>	\$4,000,000	\$4,000,000	\$2,144,592	\$929,885	Current
Petrowest Corporation (“ <b>Petrowest</b> ”)	\$15,000,000	\$15,000,000	\$6,000,000	\$9,000,000	Current
Distinct Infrastructure Group Inc. (“ <b>Distinct</b> ”)		\$20,000,000	\$8,000,000	\$12,000,000	Current
Bill Gosling Outsourcing Holding Corp. (“ <b>Gosling</b> ”)	N/A	\$15,000,000	\$6,000,000	\$9,000,000	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* between NCOF II and Norrep Credit Opportunities Fund II (Parallel), LP (“**NCOF II Parallel**”), (collectively, the “**NCOF Funds**”). 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 nine months ended September 30, 2016 and 2015, not the pro rata portions held by NCOF II Parallel.

In addition to the above loans, as at September 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 1,000,000 Distinct common shares (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 September 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 reported revenue of US\$22.1 million and Operating EBITDA (as defined in CRH's public filings on SEDAR) of US\$11.6 million in Q3 2016, and revenue of US\$52.5 million and Operating EBITDA of US\$27.0 million for the nine months ended September 30, 2016. On a trailing twelve month basis ending September 30, 2016, CRH reported revenue of US\$66.5 million and Operating EBITDA of US\$34.3 million. The contribution from anesthesia acquisitions completed in the prior year and in the current year continue to have a positive impact on CRH.
<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

**Business Description:** 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.

**Business Overview:** Corrosion's operating results and financial position remain positive despite conditions in the oil and gas industry. The outlook for pipeline integrity testing continues to be favourable due to the regulatory and safety requirements in the industry. Corrosion expects modest market share gains in the coming year.

**Industry:** Business Services

**Capital Investment:** \$4 million

**Investment Date:** April 1, 2015

**Term:** 60 months

**Interest Rate:** Not disclosed

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



## Petrowest Corporation

**Business Description:** 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.

**Business Overview:** Petrowest reported revenue of \$32.5 million and adjusted EBITDA (as defined in Petrowest's public filings on SEDAR) of \$1.1 million in Q2 2016, and revenue of \$69.1 million and adjusted EBITDA of \$3.2 million for the six months ended June 30, 2016. On a trailing twelve month basis ending June 30, 2016, Petrowest reported revenue of \$174.8 million and adjusted EBITDA of \$12.9 million. Petrowest's second quarter results were adversely affected by extreme weather patterns in Western Canada, including both forest fires and heavy rains, resulting in road bans and project delays.

**Industry:** Diversified

**Capital Investment:** \$15 million

**Investment Date:** September 29, 2015

**Term:** 36 months

**Interest Rate:** 11%

**Bonus / Participation:** 4.3 million Petrowest Warrants & 903,614 Petrowest Shares



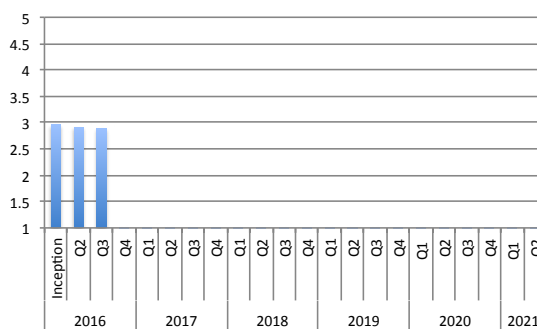
### Distinct Infrastructure Group Inc.

<b>Business Description:</b>	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.
<b>Business Overview:</b>	Distinct reported revenue of \$15.5 million and EBITDA (as defined in Distinct's public filings on SEDAR) of \$1.6 million in Q2 2016, and revenue of \$26.3 million and EBITDA of \$2.6 million for the six months ended June 30, 2016. On a trailing twelve month basis ending June 30, 2016, Distinct reported revenue of \$48.7 million and EBITDA of \$7.3 million. Distinct continues to experience strong organic growth in its telecommunication infrastructure business driven primarily by increasing demand from Distinct's largest customer.
<b>Industry:</b>	Infrastructure Services
<b>Capital Investment:</b>	\$20 million
<b>Investment Date:</b>	November 25, 2015
<b>Term:</b>	60 months
<b>Interest Rate:</b>	10%-12%
<b>Bonus / Participation:</b>	1.0 million Distinct Shares



### Bill Gosling Outsourcing Holding Corp.

<b>Business Description:</b>	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.
<b>Business Overview:</b>	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. Gosling's operating results and financial position remain positive.
<b>Industry:</b>	Business Process Outsourcing
<b>Capital Investment:</b>	\$15 million
<b>Investment Date:</b>	May 25, 2016
<b>Term:</b>	60 months
<b>Interest Rate:</b>	Not disclosed
<b>Bonus / Participation:</b>	% 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 of the 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 the two Barrie projects is well underway, with initial phases completed in 2016 and final completion expected by PenEquity to be in 2017. PenEquity expects construction on Stoney Creek to commence in the near term.
<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 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 September 30, 2016.

Quarterly Results Summary	Three Months Ended						
	March 31 2015 <sup>2</sup>	June 30 2015 <sup>2</sup>	September 30 2015	December 31 2015	March 31 2016	June 30 2016	September 30 2016
Revenue:							
Fees and other income	\$ 257,783	\$ 273,121	\$ 874,217	\$ 1,403,552	\$ 554,610	\$ 813,702	\$ 159,804
Interest revenue	-	-	1,123,335	1,388,380	2,385,697	2,567,688	2,967,729
Net realized gain on sale of investments	-	-	71,387	-	1,741,260	-	-
Net change in unrealized gains in fair value of investments	-	-	(148,063)	2,965,374	410,315	1,602,591	(254,237)
Total Revenue	\$ 257,783	\$ 273,121	\$ 1,920,876	\$ 5,757,306	\$ 5,091,882	\$ 4,983,981	\$ 2,873,296
Total comprehensive income (loss), net of non-controlling interests	\$ 220	\$ (42,423)	\$ 395,220	\$ 1,681,296	\$ 1,638,766	\$ 1,748,565	\$ 832,573
Weighted average shares outstanding - basic <sup>1</sup>	303,000	330,303	8,595,480	9,488,094	9,493,353	9,492,045	9,514,921
Total comprehensive income(loss) per share - basic <sup>1</sup>	-	\$ (0.13)	\$ 0.05	\$ 0.18	\$ 0.17	\$ 0.18	\$ 0.09
Weighted average shares outstanding - diluted <sup>1</sup>	303,000	330,303	8,821,241	9,735,608	9,745,986	9,744,369	9,803,951
Total comprehensive income(loss) per share - diluted <sup>1</sup>	-	\$ (0.13)	\$ 0.04	\$ 0.17	\$ 0.17	\$ 0.18	\$ 0.08
Investments, at fair value through profit or loss	-	-	\$ 36,401,906	\$ 84,367,280	\$ 82,811,699	\$ 99,414,291	\$ 99,410,054
Total assets	\$ 4,368,382	\$ 7,200,015	\$ 114,296,590	\$ 130,090,183	\$ 131,819,371	\$ 138,225,938	\$ 151,568,894
Total equity	\$ 103,972	\$ 728,149	\$ 97,257,858	\$ 99,260,977	\$ 100,230,152	\$ 101,368,403	\$ 101,344,596
Shares outstanding at the end of the period	303,000	363,600	9,488,094	9,488,094	9,494,002	9,495,210	9,519,071
Total equity per share - basic	\$ 0.34	\$ 2.00	\$ 10.25	\$ 10.46	\$ 10.56	\$ 10.68	\$ 10.65

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 and its financial results for the three month periods ended March 31, 2015 and June 30, 2015 are not comparable to the subsequent three month periods 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.

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 and loan prepayments completed in a quarter. 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 equity securities held in the portfolio. The dilution of Crown's ownership interest in a fund due to receipt of additional subscriptions from non-controlling interests also impacts revenues.

## Discussion of Operations

### Revenues

Revenues of \$2.9 million and \$12.9 million were recognized in the three and nine months ended September 30, 2016 (2015 – \$1.9 million and \$2.5 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

Fees and other income in the three and nine months ended September 30, 2016 were \$0.2 million and \$1.5 million (2015 - \$0.7 million and \$1.3 million), respectively. 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 September 30, 2015	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016	Attributable to:					
				Shareholders			Non-controlling interests		
				Three Months 2016	Nine Months 2016		Three Months 2016	Nine Months 2016	
Transaction fees for new loans - CCF IV LP	\$ 300,000	\$ -	\$ 225,000	\$ -	\$ 168,750	75.00%	\$ -	\$ 56,250	25.00%
Transaction fees for amendments - CCF IV LP <sup>1</sup>	-	25,000	650,000	10,000	322,500	Note 2	15,000	327,500	Note 2
Other transaction fees - NCOF II	306,693	-	172,947	-	120,633	69.75%	-	52,314	30.25%
Interest earned on cash and cash equivalents	133,460	60,951	258,610	60,951	258,610	100.00%	-	-	0.00%
Management fee revenue <sup>2</sup>	134,064	73,853	221,559	73,853	221,559	100.00%	-	-	0.00%
Total fees and other income	\$ 874,217	\$ 159,804	\$ 1,528,116	\$ 144,804	\$ 1,092,052		\$ 15,000	\$ 436,064	

1. The Corporation's interest in CCF IV LP dropped from 50% to 40% effective July 1, 2016.

2. 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 nine months ended September 30, 2016 were \$263,491 and \$707,222, respectively. For the three and nine months ended September 30, 2016, management fees charged on the portion of contributed capital from non-controlling interests were \$131,583 and \$318,247, 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 nine months ended September 30, 2016, such transaction fees totaled \$25,000 and \$1.1 million (2015 - \$0.6 million and \$0.6 million), respectively. The higher transaction fees in the three months ended September 30, 2015 were the result of prepayment fees on two loans and transaction fees for one new loan whereas no new loans or loan prepayments were completed in the same period in 2016. For the nine months ended September 30, 2016, the higher transaction fees compared to the same nine months in the prior year reflect impacts related to the Rollover Transaction as well as transaction fees for a new loan completed in May 2016 and amendment and waiver fees earned in 2016 on three other loans.

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 60% (50% prior to July 1, 2016), respectively, of the management fees while Crown effectively pays itself for the other 69.75% and 40%, respectively, as a result of its ownership interests.

Management fees of \$73,853 and \$0.2 million were recognized in the three and nine months ended September 30, 2016 (2015 - \$0.1 million and \$0.7 million), respectively, from Norrep Credit Opportunities Fund, LP ("**NCOF LP**") and NCOF II (Parallel). Management fees were lower in the three and nine months ended September 30, 2016 largely due 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 nine months ended September 30, 2016, interest earned on cash and cash equivalents totaled \$60,951 and \$0.3 million (2015 - \$0.1 million and \$0.1 million), 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 September 30, 2015	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016	Attributable to:					
				Shareholders			Non-controlling interests		
				Three Months 2016	Nine Months 2016		Three Months 2016	Nine Months 2016	
Special Situations Financings									
NCOF II	\$ 1,114,264	\$ 614,672	\$ 1,830,626	\$ 428,744	\$ 1,276,893	69.75%	\$ 185,928	\$ 553,733	30.25%
CCF IV LP <sup>1</sup>	9,071	1,473,274	3,470,269	589,310	1,587,806	Note 1	883,964	1,882,463	Note 1
Long-term Financings									
CCPC LP	-	879,783	2,620,219	879,783	2,620,219	100.00%	-	-	0.00%
Total interest revenue	\$ 1,123,335	\$ 2,967,729	\$ 7,921,114	\$ 1,897,837	\$ 5,484,917		\$ 1,069,892	\$ 2,436,197	

1. The Corporation's interest in CCF IV LP dropped from 50% to 40% effective July 1, 2016.

Interest revenue in the three and nine months ended September 30, 2016 was \$3.0 million and \$7.9 million (2015 - \$1.3 million and \$1.3 million), respectively. The increases in the three and nine months ended September 30, 2016 were due to increased interest earned on investments held by CCF IV LP and inclusion of interest earned on an investment held by CCPC LP, partially offset by reduced interest earned on investments held by NCOF II resulting from loan prepayments.

## 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 September 30, 2015	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016	Attributable to:					
				Shareholders			Non-controlling interests		
				Three Months 2016	Nine Months 2016		Three Months 2016	Nine Months 2016	
Special Situations Financings									
NCOF II - realized gain	\$ 71,387	\$ -	\$ 1,741,260	\$ -	\$ 1,214,558	69.75%	\$ -	\$ 526,702	30.25%
sub-total - realized gains	\$ 71,387	\$ -	\$ 1,741,260	\$ -	\$ 1,214,558		\$ -	\$ 526,702	
NCOF II - unrealized gain(loss) <sup>1</sup>	\$ (130,193)	\$ 181,160	\$ 308,634	\$ 126,362	\$ 215,277	69.75%	\$ 54,798	\$ 93,357	30.25%
CCF IV LP - unrealized gain(loss) <sup>2</sup>	(17,870)	(585,159)	268,984	(234,064)	193,008	Note 2	(351,095)	75,976	Note 2
Long-term Financings									
CCPC LP - unrealized gain		149,762	1,181,051	149,762	1,181,051	100.00%	-	-	0.00%
sub-total - unrealized gains(losses)	\$ (148,063)	\$ (254,237)	\$ 1,758,669	\$ 42,061	\$ 1,589,336		\$ (296,298)	\$ 169,333	
Total net gain(loss) on investments	\$ (76,676)	\$ (254,237)	\$ 3,499,929	\$ 42,061	\$ 2,803,895		\$ (296,298)	\$ 696,034	

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

2. The Corporation's interest in CCF IV LP dropped from 50% to 40% effective July 1, 2016.

The Corporation's net gain (loss) on investments in the three and nine months ended September 30, 2016 totaled (\$0.3 million) and \$3.5 million [2015 - (\$76,676) and (\$76,676)], respectively. For the three and nine months ended September 30, 2016, \$42,061 and \$2.8 million, respectively, was attributable to Shareholders and (\$0.3 million) and \$0.7 million, respectively, to non-controlling interests.

The realized gain in the nine months ended September 30, 2016 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 months ended September 30, 2016, the unrealized loss in fair value of investments of \$0.3 million was primarily due to reductions in the value of equity instruments of Petrowest and Distinct held in the Crown portfolio which were partially offset by increases in the value of loans mainly due to lower benchmark interest rates resulting in reductions to the discount rates used to calculate the present value of future cashflows.

For the nine months ended September 30, 2016, the unrealized gains on investments of \$1.8 million were primarily due to increases in the value of loans as a result of lower benchmark interest rates which resulted in reductions to the discount rates used to calculate the present value of future cashflows.

### ***Expenses***

Expenses in the three and nine months ended September 30, 2016 totaled \$1.0 million and \$4.1 million (2015 - \$1.4 million and \$2.0 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.

#### Salaries, management fees and benefits

Salaries, management fees and benefits expense totaled \$0.3 million and \$1.2 million in the three and nine months ended September 30, 2016 (2015 - \$0.7 million and \$1.0 million), respectively. The decrease in salaries, management fees and benefits expenses in the three months ended September 30, 2016 compared to the same period in 2015 was due primarily to lower employee bonus expenses.

The increase in salaries, management fees and benefits expenses in the nine months ended September 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 senior 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 \$0.4 million and \$1.2 million, respectively, in the three and nine months ended September 30, 2016 (2015 - \$0.4 million and \$0.4 million), respectively.

The Corporation's share-based compensation program includes the issuance of stock options ("**Stock Options**") and share units ("**Share Units**") to employees and directors, including performance share units ("**PSUs**"), restricted share units ("**RSUs**"), Transition Restricted Share Units ("**TRSUs**") and Retainer Restricted Share Units ("**RRSUs**"), to key management personnel, directors and employees. PSU's vest when certain performance objectives are achieved. All TRSUs vest on July 9, 2018. RSUs issued to date to employees vest on July 9, 2018 and January 1, 2019 provided the holder of the Share Units is an employee of the Corporation at the time of vesting. RSUs issued to directors vest over a three year period from the issue date provided the holder is a director of the Corporation at the time of vesting.



RRSUs vest immediately upon grant. Upon vesting, each Share Unit may be exchanged for one Common Share.

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. No Stock Options were issued in the three and nine months ended September 30, 2016. As at September 30, 2016, 142,707 Stock Options had vested but had not been exercised.

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

The Corporation issued 89,214 and 107,424 Share Units in the three and nine months ended September 30, 2016, respectively. In the three and nine months ended September 30, 2016, 43,505 and 55,321 Share Units, respectively, vested. Of the Share Units that vested in the nine months ended September 30, 18,544 Share Units were cash-settled for \$173,361 to pay applicable withholding taxes and 36,777 common shares were issued.

#### General and Administration

General and administration expenses totaled \$0.3 million and \$1.0 million in the three and nine months ended September 30, 2016 (2015 - \$0.3 million and \$0.5 million), respectively. General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, 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 nine months ended September 30, 2016, Crown accrued performance bonus expense of \$18,358 and \$0.6 million (2015 – \$57,693 and \$57,693), respectively.

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

For the three and nine months ended September 30, 2016, Crown had earnings before income taxes of \$1.9 million and \$8.9 million (2015 – \$1.0 million and \$0.9 million), respectively.

### ***Income Taxes***

For the three and nine months ended September 30, 2016, Crown recorded current tax expense of \$0.4 million and \$1.8 million (2015 – \$84,580 and \$77,132) and deferred tax of \$79,487 and \$96,120 (2015 – \$129,050 and \$129,050), respectively.

The Corporation's consolidated effective tax rate for the three and nine months ended September 30, 2016 was 31%. 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 September 30, 2016 of \$1.6 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 nine months ended September 30, 2016, Crown earned net income and comprehensive income of \$1.5 million and \$7.0 million (2015 – \$0.8 million and \$0.7 million), respectively.

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

For the three and nine months ended September 30, 2016, net income and comprehensive income attributable to Shareholders was \$0.8 million and \$4.2 million (2015 – \$0.4 million and \$0.4 million), respectively. Net income and comprehensive income attributable to non-controlling interests was \$0.6 million and \$2.7 million (2015 – \$0.4 million and \$0.4 million).

### ***Adjusted EBIT***

Crown achieved Adjusted EBIT in the three and nine months ended September 30, 2016 of \$1.5 million and \$7.2 million, respectively. Adjusted EBIT is calculated by Crown as earnings before financing costs, non-cash share-based compensation and income taxes less net income and comprehensive income attributable to non-controlling interests.

A reconciliation of earnings before income taxes to Adjusted EBIT for the three and nine months ended September 30, 2016 is shown in the following table:

Reconciliation of Earnings before Income Taxes to Adjusted EBIT	Three Months Ended September 30 2015	Three Months Ended September 30 2016	Nine Months Ended September 30 2016
Earnings before income taxes	\$500,489	\$1,915,057	\$8,879,362
Add: financing costs	-	-	-
Add: non-cash share-based compensation	414,791	201,033	1,049,045
Deduct: net income and comprehensive income attributable to non-controlling interests	(361,264)	(647,407)	(2,747,142)
Adjusted EBIT	\$554,016	\$1,468,683	\$7,181,265

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 September 30, 2016 totaled \$46.5 million (December 31, 2015 - \$43.6 million). Accounts receivable at September 30, 2016 totaled \$4.0 million (December 31, 2015 - \$0.3 million) and included capital contributions due from limited partners of CCF IV LP totaling \$3.9 million.

The Corporation's current liabilities at September 30, 2016 totaled \$3.0 million (December 31, 2015 - \$4.3 million). Accounts payable and accrued liabilities at September 30, 2016 of \$1.0 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 September 30, 2016, deferred interest revenue was \$nil (December 31, 2015 - \$1.8 million).

Distributions payable to non-controlling interests at September 30, 2016 totaled \$0.9 million (December 31, 2015 - \$0.4 million) and income taxes payable were \$1.1 million (December 31, 2015 - \$1.2 million). Working capital at September 30, 2016 was \$47.6 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 September 30, 2016.

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. At September 30, 2016, \$37.5 million (50%) of the \$75 million committed to CCP IV LP to that date by limited partners other than Crown had been drawn by CCP IV LP, leaving \$37.5 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.

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 September 30, 2016, the Corporation held investments in nine Canadian companies. Investments, at fair value through profit or loss, at September 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 nine months ended September 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 September 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%.

In September 2015, the Corporation, through CCFC, subscribed for 50,000 units of CCF IV LP, which at that time was a 50% interest. In July 2016, an additional 25,000 units were subscribed by other investors, reducing the Corporation's interest to 40% and increasing non-controlling interests in CCF IV LP to 60% effective July 1, 2016.

At September 30, 2016, non-controlling interests was \$44.6 million (December 31, 2015 - \$24.6 million). The increase compared to December 31, 2015 was due primarily to additional capital contributions to CCF IV LP by non-controlling interests.

### **Share Capital**

As at September 30, 2016, total share capital was \$96.7 million (December 31, 2015 - \$96.4 million).

In the nine months ended September 30, 2016, the Corporation issued 36,777 Common Shares to employees and directors as a result of vesting of Share Units. The total value assigned to the Common Shares was \$354,983 and this amount was added to share capital.

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. 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 and nine months ended September 30, 2016, Crown purchased 1,100 and 5,800 Common Shares, respectively, under the NCIB at an average price of \$9.38 and \$8.63 per Common Share, respectively.

The total number of Common Shares outstanding at September 30, 2016 was 9,519,071 (December 31, 2015 - 9,488,094).

### **Contributed Surplus**

At September 30, 2016, Crown's contributed surplus of \$1.5 million included the amount of \$1.0 million for share-based compensation expense recorded in the nine months ended September 30, 2016 for Share Units and Options outstanding during the period less \$104,277 transferred to share capital for Share Units vested and \$173,361 for cash-settled share-based compensation.

## **Cash Flows**

Cash and cash equivalents at September 30, 2016 totaled \$46.5 million (December 31, 2015 - \$43.6 million). In the nine months ended September 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 more than offset by proceeds from the sale of the Claude Shares, capital contributions by non-controlling interests and net income and comprehensive income of \$7.0 million.

On August 9th, 2016, the Corporation declared a quarterly dividend of \$0.11 per Common Share. The dividend was paid on September 9, 2016 to Shareholders of record on August 29, 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 September 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 November 8, 2016, Crown announced the signing in escrow by CCF IV LP of a \$15.0 million term loan (the "**Agreement**") with Touchstone Exploration Inc. ("**Touchstone**"), a Calgary-based publicly-traded company engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas, with its primary focus in the Republic of Trinidad and Tobago. The term loan bears a fixed interest rate of 8.0% per annum, compounded and payable quarterly, and matures in 60 months. In addition, the agreement calls for the receipt of a 1% royalty on Touchstone's petroleum revenue for 60 months, which will be calculated and paid quarterly. The agreement will be released from escrow and the loan will be advanced to Touchstone upon satisfaction of conditions precedent, including security registrations in Trinidad in favour of CCF IV LP.

## **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 September 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 September 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.

### **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](http://www.sedar.com), including the AIF.



# Condensed Consolidated Interim Financial Statements

Three and nine months ended September 30, 2016

# CROWN CAPITAL PARTNERS INC.

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

As at	September 30, 2016	December 31, 2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 46,482,432	\$ 43,641,313
Accounts receivable	3,990,068	314,998
Prepaid expenses	78,837	69,692
	50,551,337	44,026,003
Investments, at fair value through profit or loss (Note 3)	99,410,054	84,367,280
Property, plant and equipment	17,912	11,189
Deferred income taxes	1,589,591	1,685,711
	<b>\$ 151,568,894</b>	<b>\$ 130,090,183</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 970,192	\$ 898,926
Deferred interest revenue	-	1,751,042
Distributions payable to non-controlling interest	924,249	420,862
Income taxes payable	1,100,963	1,192,731
	2,995,404	4,263,561
Provision for performance bonus (Note 4)	2,587,494	1,994,640
Non-controlling interests (Note 7)	44,641,400	24,571,005
<b>Total Liabilities</b>	<b>50,224,298</b>	<b>30,829,206</b>
<b>Equity</b>		
Share capital	96,682,467	96,386,398
Contributed surplus	1,517,265	836,434
Retained earnings	3,144,864	2,038,145
<b>Total Equity</b>	<b>101,344,596</b>	<b>99,260,977</b>
	<b>\$ 151,568,894</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 (unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	2016	2015
<b>Revenues</b>				
Fees and other income	\$ 159,804	\$ 874,217	\$ 1,528,116	\$ 1,405,122
Interest revenue	2,967,729	1,123,335	7,921,114	1,123,334
Net gain on investments				
Net realized gain on sale of investments	-	71,387	1,741,260	71,387
Net change in unrealized gains (loss) in fair value of investments	(254,237)	(148,063)	1,758,669	(148,063)
	2,873,296	1,920,876	12,949,159	2,451,780
<b>Expenses</b>				
Salaries, management fees and benefits	300,998	673,044	1,223,512	1,040,767
Share-based compensation (Note 6)	374,394	414,791	1,222,406	414,791
General and administration	262,963	274,274	1,027,119	485,874
Performance bonus expense	18,358	57,693	592,853	57,693
Depreciation	1,526	585	3,907	1,817
	958,239	1,420,387	4,069,797	2,000,942
<b>Earnings before other income and income taxes</b>	1,915,057	500,489	8,879,362	450,838
Gain on acquisition of subsidiary (Note 1)	-	469,625	-	469,625
<b>Earnings before income taxes</b>	1,915,057	970,114	8,879,362	920,463
Income taxes				
Current tax expense	355,590	84,580	1,816,196	77,132
Deferred tax	79,487	129,050	96,120	129,050
	435,077	213,630	1,912,316	206,182
<b>Net income and comprehensive income</b>	\$ 1,479,980	\$ 756,484	\$ 6,967,046	\$ 714,281
<b>Net income and comprehensive income attributable to:</b>				
Shareholders of the Corporation	\$ 832,573	\$ 395,220	\$ 4,219,904	\$ 353,017
Non-controlling interests (Note 7)	647,407	361,264	2,747,142	361,264
	\$ 1,479,980	\$ 756,484	\$ 6,967,046	\$ 714,281
<b>Earnings per share attributable to shareholders:</b>				
Basic	\$ 0.09	\$ 0.05	\$ 0.44	\$ 0.11
Diluted	\$ 0.08	\$ 0.04	\$ 0.43	\$ 0.11
Weighted average number of shares, basic	9,514,921	8,595,480	9,500,160	3,106,637
Weighted average number of shares, diluted	9,803,951	8,821,241	9,739,504	3,182,718

See accompanying notes to condensed consolidated interim financial statements.

# CROWN CAPITAL PARTNERS INC.

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

For the nine months ended September 30, 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 income and comprehensive income attributable to shareholders of the Corporation	-	-	-	353,017	353,017
Issuance of common shares:					
Acquisition of NCOF II (Note 1)	3,214,494	35,359,423	-	-	35,359,423
Issue of share capital	60,600	666,600	-	-	666,600
IPO share proceeds (Note 1)	5,910,000	65,010,000	-	-	65,010,000
Underwriters' commission and offering expenses	-	(6,369,486)	-	-	(6,369,486)
Tax effect on share issue costs	-	1,719,761	-	-	1,719,761
Share-based compensation	-	-	414,791	-	414,791
Balance as at September 30, 2015	9,488,094	\$ 96,386,398	\$ 514,611	\$ 356,849	\$ 97,257,858
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	-	-	-	4,219,904	4,219,904
Share-based compensation (Note 6)	-	-	1,222,406	-	1,222,406
Cash-settled share-based compensation (Note 6)	-	-	(186,592)	13,231	(173,361)
Issuance of common shares (Note 6)	36,777	354,983	(354,983)	-	-
Shares repurchased (Note 5)	(5,800)	(58,914)	-	8,845	(50,069)
Dividends declared	-	-	-	(3,135,261)	(3,135,261)
Balance as at September 30, 2016	9,519,071	\$ 96,682,467	\$ 1,517,265	\$ 3,144,864	\$ 101,344,596

See accompanying notes to condensed consolidated interim financial statements.

# CROWN CAPITAL PARTNERS INC.

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

For the nine months ended September 30,	2016	2015
Cash provided by (used in) operating activities		
Net income and comprehensive income	\$ 6,967,046	\$ 714,281
Proceeds from repayment of debt securities	(250,000)	24,887,430
Proceeds from sale of equity securities	4,082,155	3,168,564
Purchase of investments	(15,375,000)	(15,000,000)
Non-cash items:		
Net realized gain on sale of investments	(1,741,260)	(71,387)
Net change in unrealized (gains) loss in fair value of investments	(1,758,669)	148,063
Gain on acquisition of investment	-	(469,625)
Depreciation	3,907	1,817
Deferred income tax	96,120	129,050
Share-based compensation	1,049,045	414,791
Net change in non-cash working capital (Note 8)	(4,862,905)	2,640,553
	(11,789,561)	16,563,537
Cash provided by (used in) investing activities		
Purchase of property, plant & equipment	(10,630)	-
Acquisition of subsidiary, net of cash acquired	-	16,337
	(10,630)	16,337
Cash provided by (used in) financing activities		
Non-controlling interest contributions to CCF IV LP	20,622,000	7,500,000
Distributions paid by NCOF II to non-controlling interest	(1,695,187)	(10,247,987)
Distributions paid by CCF IV to non-controlling interest	(1,100,173)	-
Shareholder advances	-	250,000
Repayment of shareholder advances	-	(350,000)
Issue of share capital net of issue costs (\$5,702,906)	-	59,307,114
Shares repurchased	(50,069)	-
Dividends	(3,135,261)	-
Net change in non-cash working capital	-	278,585
	14,641,310	56,737,712
Increase in cash and cash equivalents	2,841,119	73,317,586
Cash and cash equivalents, beginning of period	43,641,313	2,722,124
Cash and cash equivalents, end of period	\$ 46,482,432	\$ 76,039,710
Supplemental cash flow information:		
Interest received in the period	\$ 7,558,822	\$ 1,229,856
Income taxes paid in the period	\$ 1,907,964	\$ -

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 nine months ended September 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 nine months ended September 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”). In September 2015, the Corporation, through its wholly-owned subsidiary, Crown Capital Funding Corporation (“CCFC”), subscribed for 50,000 units of CCF IV LP, which at that time was a 50% interest. In July 2016, an additional 25,000 units were subscribed by other investors, reducing the Corporation’s interest to 40% effective July 1, 2016. Each unit of CCF IV LP includes a commitment to invest up to \$1,000 in CCF IV LP. On December 16, 2015, Crown Capital Private Credit Management Inc. (“CCPC MI”), a wholly-owned subsidiary, was incorporated. CCPC MI is the general partner of Crown Capital Private Credit, 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 November 8, 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 nine months ended September 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	September 30, 2016		December 31, 2015	
	Cost	Fair Value	Cost	Fair Value
Canadian equity securities	\$ 1,540,692	\$ 1,842,963	\$ 1,684,344	\$ 4,630,017
Canadian debt securities	94,453,597	97,567,091	79,453,597	79,737,263
Total Investments	\$ 95,994,289	\$ 99,410,054	\$ 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.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and nine months ended September 30, 2016

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## 3. Fair value measurement (continued):

### (a) Investments (continued):

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

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

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 nine months ended September 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 September 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.

September 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	\$ 1,435,602	\$ -	\$ -	\$ 1,435,602
Canadian warrants		407,361		407,361
Canadian debt securities	-	-	97,567,091	97,567,091
Total Investments	\$ 1,435,602	\$ 407,361	\$ 97,567,091	\$ 99,410,054

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 September 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 nine months ended September 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:

September 30, 2016	
	Private Debt Securities
Beginning balance, January 1, 2016	\$ 79,737,263
Purchases	15,000,000
Unrealized gains	2,829,828
Balance, September 30, 2016	\$ 97,567,091

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 nine months ended September 30, 2016

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## 3. Fair value measurement (continued):

### (c) Canadian debt instruments

As at September 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, 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 provision for performance fee distributions accrued in NCOF II at the date of acquisition is recognized as the provision for performance bonus in the consolidated statement of financial position at September 30, 2016. The provision for performance bonus at September 30, 2016 of \$2,587,494 (December 31, 2015 of \$1,994,640) also includes 50% of provisions for performance fee distributions accrued post-IPO by both NCOF II and CCF IV LP.

## 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 earlier date as the bid is completed or terminated at the Corporation’s option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and nine months ended September 30, 2016

## 5. Share capital (continued):

During the three and nine months ended September 30, 2016, the Corporation purchased and cancelled a total of 1,100 and 5,800 shares for total consideration of \$10,315 and \$50,069, respectively, (average price \$9.38 and \$8.63 per share, respectively). 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 \$858 and \$8,845, respectively, and was recorded as an increase to retained earnings.

The total number of Common Shares outstanding at September 30, 2016 was 9,519,071 (December 31, 2015 - 9,488,094).

## 6. Share-based compensation:

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

For the nine months ended September 30, 2016					
	Number outstanding at January 1, 2016	Issued in the period	Vested, exercised outstanding at or forfeited Sept. 30, 2016	Number outstanding at Sept. 30, 2016	Expensed in the period
TRSU <sup>1</sup>	181,818	6,887	-	188,705	\$ 437,929
PSU <sup>1</sup>	36,528	51,427	(37,447)	50,508	350,409
RSU <sup>1</sup>	29,168	37,294	(6,058)	60,404	138,174
RRSU <sup>s</sup>	-	11,816	(11,816)	-	104,277
Total Share Units <sup>2</sup>	247,514	107,424	(55,321)	299,617	1,030,789
Stock options <sup>2 3</sup>	491,849	-	(31,818)	460,031	191,617
Total	739,363	107,424	(87,139)	759,648	\$ 1,222,406

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

<sup>2</sup> 55,321 Share Units vested in the period. 18,544 Share Units were cash-settled and 36,777 common shares were issued. 31,818 stock options were forfeited in the period.

<sup>3</sup> 142,707 stock options vested during the period, but remain unexercised at end of the period.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and nine months ended September 30, 2016

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

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

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

Stock options granted are 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. As at September 30, 2016, 142,707 Stock options had vested but had not been exercised.

## 7. Non-controlling interests (NCI):

As at	September 30, 2016		
	NCOF II	CCF IV	Total
NCI percentage	30.25%	60.0% <sup>1</sup>	
Beginning balance, January 1, 2016	\$ 6,406,684	\$ 18,164,321	\$ 24,571,005
Net income and comprehensive income	935,718	1,811,424	2,747,142
Contributions	-	20,622,000	20,622,000
Distributions	(1,696,026)	(1,602,721)	(3,298,747)
Balance, September 30, 2016	\$ 5,646,376	\$ 38,995,025	\$ 44,641,400

1. NCI percentage in CCF IV increased to 60% from 50% effective July 1, 2016.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and nine months ended September 30, 2016

## 7. Non-controlling interests (NCI) (continued):

As at	December 31, 2015		
	NCOF II	CCF IV	Total
NCI percentage	30.25%	50.0%	
Beginning balance, January 1, 2015	\$ -	\$ -	\$ -
Acquisition	14,526,035	-	14,526,035
Net income and comprehensive income	880,566	931,148	1,811,714
Contributions	-	17,500,000	17,500,000
Distributions	(8,999,917)	(266,827)	(9,266,744)
Balance, December 31, 2015	\$ 6,406,684	\$ 18,164,321	\$ 24,571,005

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

Nine months ended September 30,	2016	2015
Accounts receivable	\$ (3,675,070)	\$ 4,101,866
Prepaid expenses	(9,145)	(67,351)
Accounts payable and accrued liabilities	71,266	(1,528,416)
Deferred interest revenue	(1,751,042)	-
Provision for performance bonus	592,854	57,693
Income tax payable	(91,768)	76,761
Total	\$ (4,862,905)	\$ 2,640,553

## 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 September 30, 2016.

## 10. Subsequent events:

On November 8, 2016, the Corporation announced the signing in escrow by CCF IV LP of a \$15.0 million term loan (the “**Agreement**”) with Touchstone Exploration Inc. (“**Touchstone**”), a Calgary-based publicly-traded company engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas, with its primary focus in the Republic of Trinidad and Tobago. The term loan bears a fixed interest rate of 8.0% per annum, compounded and payable quarterly, and matures in 60 months. In addition, the agreement calls for the receipt of a 1% royalty on Touchstone’s petroleum revenue for 60 months, which will be calculated and paid quarterly. The agreement will be released from escrow and the loan will be advanced to Touchstone upon satisfaction of conditions precedent, including security registrations in Trinidad in favour of CCF IV LP.

# CORPORATE DIRECTORY

## DIRECTORS

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

**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

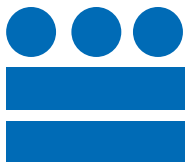
Torys LLP

### Auditors

KPMG LLP

## INVESTOR RELATIONS

Craig Armitage  
LodeRock Advisors Inc.  
Tel: (416) 347-8954  
craig.armitage@loderockadvisors.com



**Crown Capital Partners Inc.**

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