

Crown Capital Partners Inc.
2015 ANNUAL REPORT

Canada's mid-market is capital constrained

Middle market companies (revenues between \$50 million and \$500 million) are vital to the Canadian economy, yet they have remarkably few alternatives for growth capital—capital to expand their operations, fund acquisitions, or recapitalize. Canada's financial landscape is dominated by chartered banks and private equity funds, whose financing terms and dilutive financing structures are often ill-suited to meet the demands of mid-market companies.

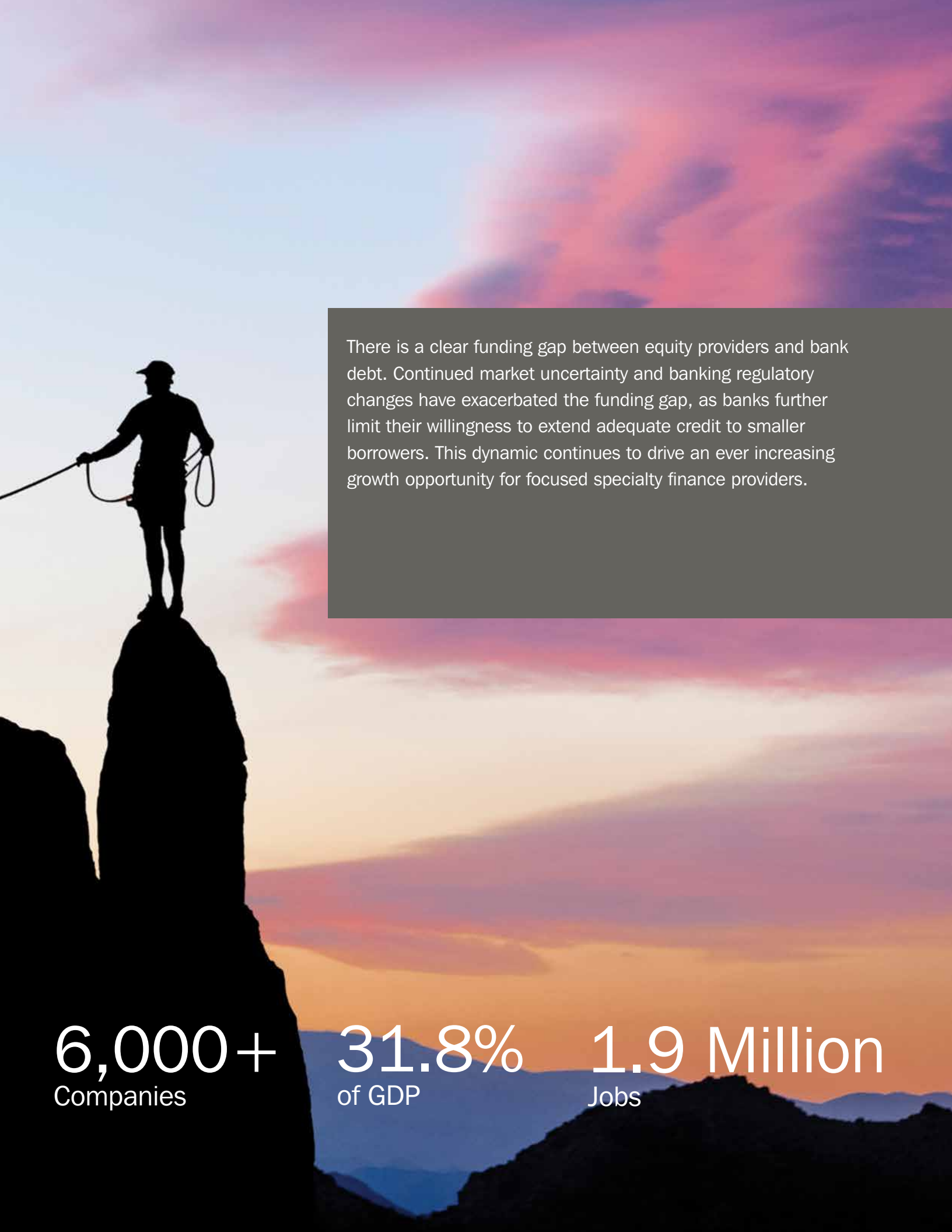


CANADA'S MID-MARKET*

Mid-market companies represent a significant growth segment of the Canadian economy and often require substantial capital investments to expand their businesses.

\$667 Billion
In revenue

* Source: HSBC Commercial Banking report "Hidden Impact: The Vital Role of Mid-Market Enterprises"



There is a clear funding gap between equity providers and bank debt. Continued market uncertainty and banking regulatory changes have exacerbated the funding gap, as banks further limit their willingness to extend adequate credit to smaller borrowers. This dynamic continues to drive an ever increasing growth opportunity for focused specialty finance providers.

6,000+
Companies

31.8%
of GDP

1.9 Million
Jobs

Crown: Capitalizing on the mid-market opportunity

Since 2000, Crown has been helping to fill this funding gap. We are a specialty finance company focused on tailored 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.

To date, Crown has completed 34 loans and deployed more than \$414 million in capital, making us one of the leading alternative lenders in Canada.

15

year track record

34

transactions

\$414

millions in loans
to date

PenEquity
Realty
Corporation

\$25 Million
Growth Financing

December 2015

Distinct
Infrastructure
Group

\$20 Million
Growth Financing

November 2015

Petrowest
Corporation

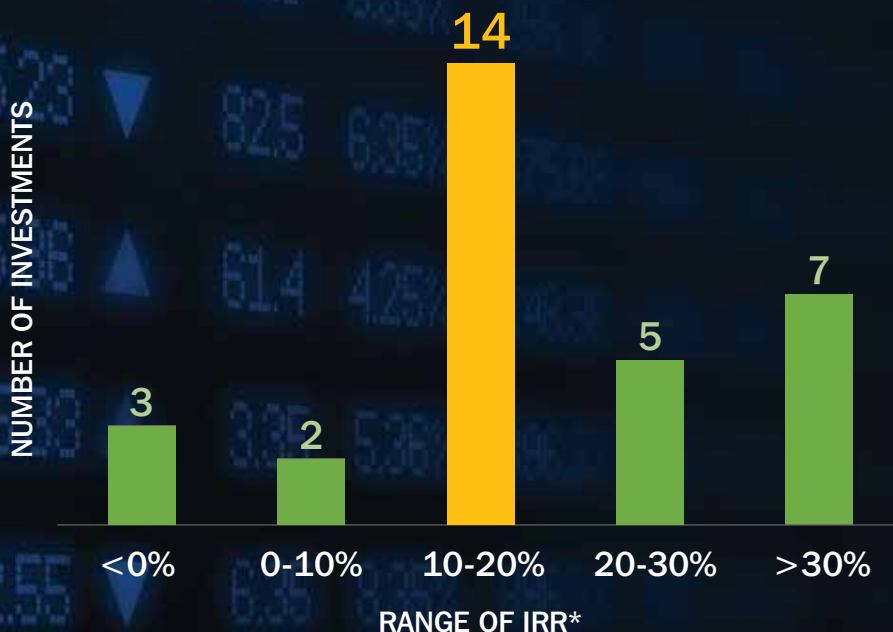
\$15 Million
Recapitalization

September 2015

Corrosion
Services
Company
Limited

\$4 Million
Management Buyout

April 2015



Established track record of success

We've managed capital for a number of the top global investment firms in the world, and we've successfully deployed capital in private debt transactions through multiple economic cycles. Crown has generated strong performance, achieving an enviable track record of success among lenders in the North American alternative credit industry. Importantly, Crown has achieved these returns consistently and with low volatility.

* IRR refers to the gross internal rate of return generated from a loan before consideration of management fees and expenses. Figures are as of April 2016. Please refer to Crown's Annual Information Form available on SEDAR at www.sedar.com for more information with respect to Gross IRR.

CRH Medical Corporation

\$22.5 Million
Acquisition Financing

December 2014

Questrade Inc.

\$10 Million
Growth Financing

December 2013

Claude Resources Inc.

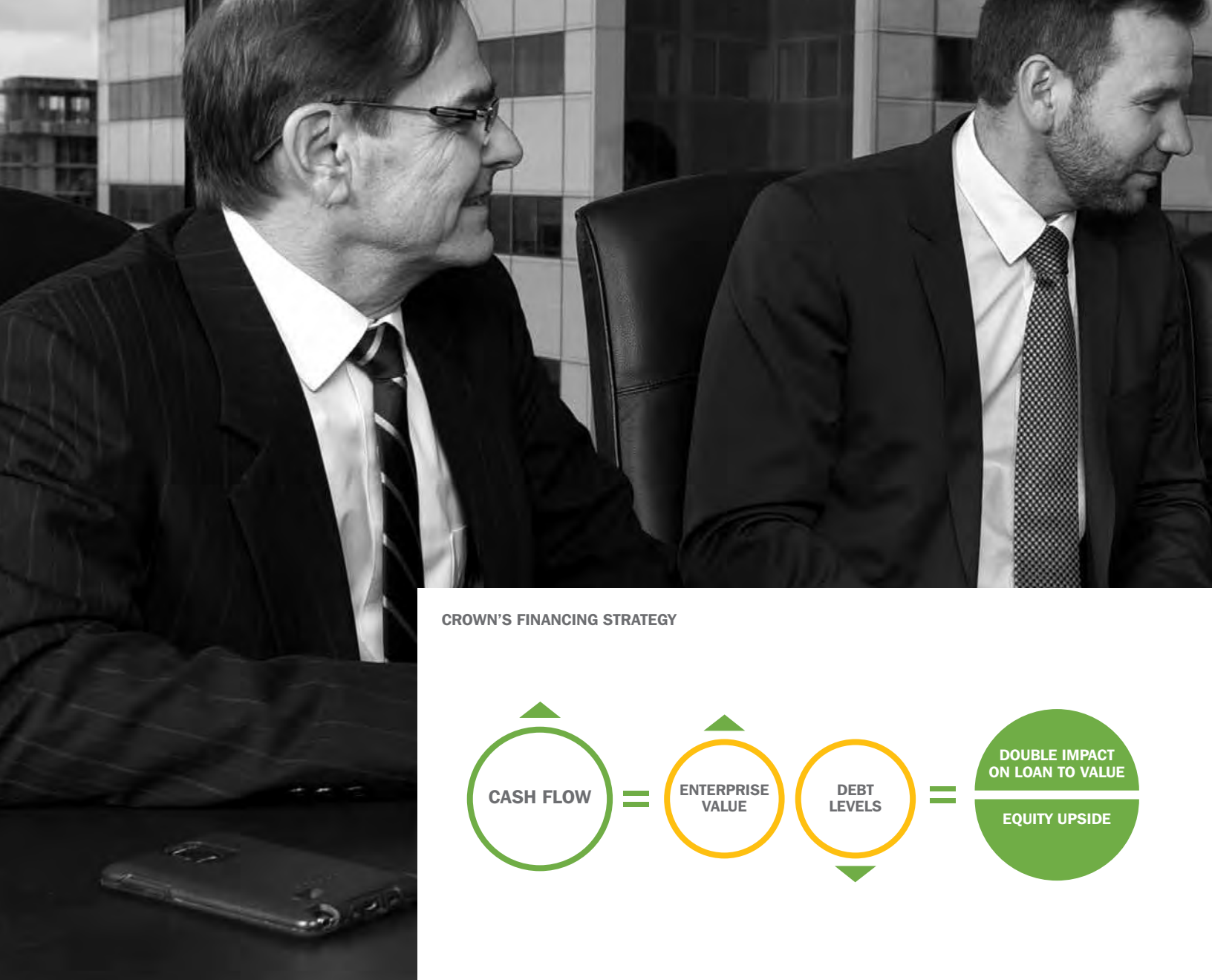
\$25 Million
Growth Financing

April 2013

Genalta Power Inc.

\$20 Million
Growth Financing

December 2012



CROWN'S FINANCING STRATEGY



Focus on
successful
companies
drives our
strategy

The basic thesis of Crown's financing strategy is to finance successful businesses that consistently increase in value and generate significant cash flow that is used to reduce debt. This results in an improving credit profile as these loans season and progress toward maturity, with decreasing leverage ratios. We have a strong alignment of interests with our financing clients as Crown supports the growth and development of their business. As our clients grow and succeed, Crown's loan portfolio prospers.



Expanding our business model to drive long-term value

Crown has historically offered special situations financing solutions to businesses for transitory capital requirements, managed through various institutional capital pools. With our public listing, we expanded our business model to offer non-dilutive sources of long-term capital. In addition to the high returns generated by special situations financing solutions, we are creating long-term shareholder value by using our proprietary capital to build a portfolio of long-term loans that provide stable, high yielding cash flows.

	TRANSITORY CAPITAL WITH HIGH RETURNS ▼	HIGH-VALUE PORTFOLIO COMPRISED OF STABLE, SUSTAINABLE CASH FLOWS ▼
Type	Special situations	Long-term
Form	Senior/subordinated debentures	Fixed rate long-term loans/participating loans/perpetual debt structures/recurring revenue structures
Duration	<5 years	>5 years
Prepayment cost	Low	Medium to high
Bonus feature	Yes	No
Target cash yield	10–14%	12–16%
Target gross yield	12–18%	12–16%

Q&A

A discussion with
Christopher A. Johnson,
President and CEO of
Crown



How is Crown different than other alternative lenders?

In addition to the size of our typical loan (\$10-\$25 million) and focus on the mid-market, one of the biggest distinctions is our investment criteria. We underwrite successful companies that are growing in value and increasing their cash flow. The simple reason is these loans tend to get better, from a credit quality perspective, as they age. Finally, our team specializes in underwriting complicated deals that a lot of other lenders will not do. These loans often provide for superior credit quality and investment returns.

Why would a company choose your solution over another alternative?

There are many financing transactions where we are the only lender competing, often because of how the deal was sourced. In situations where a company is evaluating alternatives—debt versus equity—it comes down to the best structure and terms for them. Our solutions are designed to allow companies to grow their businesses with minimal or no ownership dilution; that's a key factor in why we win.

Our capital at work



Who: CRH Medical Corporation

Amount: \$22.5 Million

Type of Transaction: Acquisition Financing

Date: December 2014

Highly accretive acquisition results in rapid share appreciation

\$22.5MM subordinate loan enabled transformative US\$58.6 MM acquisition.

- Publicly listed medical company
- Provides physicians with innovative products and services primarily for the treatment of gastrointestinal diseases

SITUATION OVERVIEW

- Announced that it had entered into an agreement to acquire Gastroenterology Anesthesia Associates for US\$58.6 MM
- Expected to be a transformational acquisition
- CRH was sensitive to ownership dilution

SOLUTION

- \$22.5 MM, 42 month subordinated loan issued in December 2014
- 12% interest rate
- Crown was issued common shares as part of the financing fee
- Since the transaction CRH's share price has increased over 450%

How do you find companies in which to invest?

The middle market in Canada is highly dispersed and diversified by sector. So finding these companies takes a great amount of relationship-building and targeting. We see a lot of deal flow given our track record and relationships in the capital markets—with investment bankers, lawyers, etc. With the additions to our team in 2015, we now have a greater emphasis on going directly to companies and targeting high-producing wealth advisors—a new channel that we believe has great potential.

Where do you see the opportunity for long-term loans?

Successful business owners are often frustrated in their search for long-term financing that does not involve issuing equity. Access to long-term

non-dilutive capital allows business owners to defer repayment to the point that it can be considered permanent capital to help them grow. As we build this portfolio, Crown and its shareholders benefit from a growing base of high-yielding, high value, recurring cash flows.

How does the dividend factor into your capital allocation strategy?

With relatively fixed operating costs, our business is expected to generate substantial free cash flow as we put our capital to work. Our plan is to continue to increase our dividend as our operating cash flow increases, with a target payout ratio of 80 per cent. In our view, a growing dividend is a highly attractive investment attribute and one that increasingly is in demand given the volatility in the broader equity markets.

What should Crown shareholders look for in 2016?

We expanded our team in 2015 so we have the platform to accelerate growth. 2016 is about building both the special situations and long-term portfolios. The current market conditions are very favourable and our transaction pipeline is consistently full of outstanding opportunities. We expect to complete six to eight transactions this year. As we put new capital to work, this should translate into growing earnings and cash flow for shareholders.

Our capital at work



Who: Questrade Inc.

Amount: \$10 Million

Type of Transaction: Growth Financing

Date: December 2013

High growth leads to early loan payoff

Canada's fourth largest discount brokerage avoids third-party equity, pays off loan ahead of time, by exceeding growth targets.

- Canada's largest independent discount brokerage firm and the fourth largest discount brokerage firm
- Headquartered in Toronto and privately owned

SITUATION OVERVIEW

- Medium term debt capital requirement to grow regulatory capital base in order to meet growth targets
- Privately owned company with limited desire to raise third party equity

SOLUTION

- \$10 MM, 60 month subordinated loan issued in December 2013
- 10% interest rate + bonus tied to Questrade's financial performance

OUTCOME

- Questrade exceeded its growth targets, leading to early repayment of the loan

Chairman's Letter

I'm pleased to address Crown's shareholders in the company's first annual report. While Crown is newly public, the company has an enviable track record in alternative lending and a well-earned reputation as a financial partner to mid-market companies.

As a long-time capital markets participant, I have seen the important role Crown plays in financing companies in the middle market, which is such an important component of Canada's economy. Where other providers have come in and out of the market, Crown has had a constant presence over the past 15 years, reflecting their adherence to disciplined underwriting, the depth and quality of their relationships and a commitment to understanding and delivering on the needs of this segment.

Today, the conditions for growth in our market segment are among the most favorable I can recall. Crown's target market of more than 6,000 companies is generally underserved by the banks and the current business cycle is highly conducive to alternative finance providers. While the volatility in equity markets has caused many lenders to retreat, the market need has not gone away. Rather, there are more and more companies for which Crown's non-dilutive financing solutions are an attractive option.

This is the opportunity our team at Crown is out to capture. They have the platform to scale the portfolio significantly and, with the public listing, enhanced access to capital. In particular, we believe in the value creation opportunity of building a portfolio of long-term loans using the company's capital, creating diversified recurring cash flow to supplement the high fee income typical in the special situations portfolio. This hybrid business model should result in attractive investment attributes. Through Crown, equity investors get access to an alternative asset class—private loans to middle-market companies—that provides high yield, strong growth potential and low correlation to other assets.

On behalf of the Board, we thank you for your support and your interest in Crown.

Sincerely,



George Fowlie
Chair of the Board of Directors
April 11, 2016

Letter from the CEO

Fiscal 2015 was a transformational year for the company. We completed our initial public offering (“IPO”), began a new chapter in the public markets and initiated a new growth plan, building on a 15-year track record as one of the leading alternative lenders in Canada. As a public company, we plan to accelerate the growth of our special situations financings while also building a high-value portfolio of long-term assets.

We outlined several near-term priorities in the IPO and we’ve delivered on those. We completed the initial closing of Crown Capital Fund IV, LP (“CCF IV LP”), a special situations financing debt fund, with initial capital commitments of \$100 million. CCF IV LP has a maximum size of \$300 million. We started putting the money to work in the final months of 2015, closing two deals totalling \$35 million: a \$15 million subordinated loan to Petrowest Corporation (TSX:PRW); and a \$20 million subordinated loan to Distinct Infrastructure Inc. (TSX Venture:DUG). And, in December 2015, we closed our first long-term transaction, providing a \$25 million, 10-year loan to PenEquity Realty Corporation.

In 2015, we added significant depth and strength to the Crown team with the additions of both investment and business development professionals. Targeting the mid-market requires a sustained and concentrated effort to source new business, and we believe we now have the leading origination team in Canada.

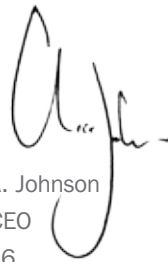
Earlier this year, we delivered on another important objective outlined in the IPO, which was to implement a quarterly dividend. As we continue to deploy more capital, we plan to return a significant portion of the resulting cash flow to shareholders through a growing dividend.

While we are in the early stages of executing our growth plan, the financial results for the year demonstrate the profit potential of the business. For the full year, we generated revenue of \$8.2 million and total comprehensive income, net of non-controlling interest, of \$2.0 million, or \$0.43 per share (basic). Total equity increased to \$99.3 million at year-end, bringing total equity per share to \$10.46. With more than \$40 million in cash at year end and \$32.5 million of committed capital in CCF IV LP from third-party investors, we are financially well-positioned to pursue our growth objectives.

Looking ahead, we expect 2016 to be a strong year for Crown in terms of capital deployed. Based on the market conditions and our additional origination capability, our transaction pipeline is strong and growing. We are particularly encouraged by the interest in our long-term solutions, which was the primary rationale for our public listing. Building this portfolio of on-balance-sheet loans we expect a stable, high-yielding, high-value cash flow stream. In terms of our growth milestones, we expect to complete two to four long-term transactions and four to six special situations transactions this year.

As we see the full-year impact of the 2015 loans and put more capital to work, we expect the inherent operating leverage in our business to generate growing earnings and cash flow for shareholders. In short, 2016 stands to be an exciting year for the company. We look forward to updating you on our progress during the year.

Sincerely,



Christopher A. Johnson
President & CEO
April 11, 2016

Management's Discussion and Analysis

for the three and twelve months ended December 31, 2015

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 year ended December 31, 2015 is prepared as of March 22, 2016. This discussion is the responsibility of management and should be read in conjunction with the Corporation's audited consolidated financial statements for the years ended December 31, 2015 and December 31, 2014, and the notes attached thereto prepared in accordance with International Financial Reporting Standards ("**IFRS**") and other public filings available on SEDAR at www.sedar.com. The board of directors of the Corporation (the "**Board**") has approved this MD&A. All amounts herein are expressed in Canadian dollars unless otherwise indicated. See "Forward-Looking Statements".

Business Profile and Strategy

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.

Strategy & Track Record

Crown, which was founded by Crown Life Insurance Company and owned by it until 2002, completed an initial public offering of its common shares ("**Common Shares**") in 2015 for gross proceeds of \$65.0 million (the "**IPO**"). Over the past 15 years, Crown has completed 34 loans and deployed more than \$414 million in capital, making it one of the leading alternative lenders in Canada.

Crown targets successful companies with perceived risk profiles exceeding the lending criteria of traditional lenders and whose capital requirements are too small to access the high-yield public debt market. In identifying potential financing clients, particular attention is paid to stability and growth of revenues and profitability, the potential client's ability to repay debt and the marketability of the client or its assets in a default scenario. The basic thesis of Crown's financing strategy is to finance businesses that consistently increase in value and generate significant cash flow that is used to reduce debt. This results in an improving profile as these loans progress toward maturity, with decreasing loan-to-value and debt-to-EBITDA ratios.

Unique Hybrid Business Model

	Special Situations Financing	Long-term Financing
Vehicle:	Senior or Subordinated Loans	Fixed Rate Long-term Loans, Participating Loans, Perpetual Debt Structures, and Recurring Revenue Structures
Target Cash Yield:	10% - 14% per annum	12% - 16% per annum
Target Gross Yield:	12% - 18% per annum	12% - 16% per annum
Bonus Feature:	Warrants, Gifted Shares, Phantom Equity, PIK	Limited
Duration:	Less than or equal to 5 years	Greater than 5 years
Prepayment Cost:	Low	Medium to High

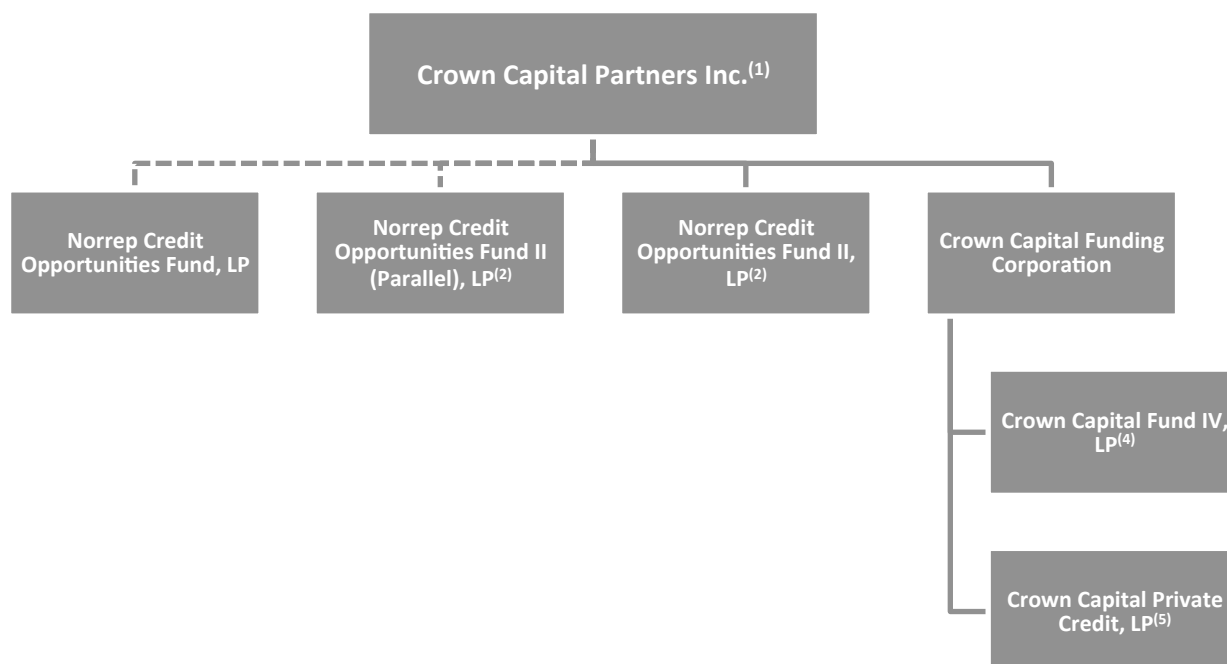
Crown has historically offered special situations financing solutions to businesses for transitory capital requirements, generally in the form of short- and medium-term senior or subordinated loans, indirectly through a variety of funding arrangements ("**Special Situations Financing**").

Following the IPO, Crown implemented a hybrid business model. In addition to its long-standing indirect lending model for Special Situations Financings through various funds, Crown is now also deploying its capital through wholly-owned Crown Capital Private Credit, LP ("**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**"). In addition to the high returns generated by Special Situations Financing solutions, Crown believes it can create significant long-term shareholder value by using proprietary capital to build a portfolio of Long-term Financings which provide stable, sustainable long-term cash flows.

Organizational Structure - Our Business at a Glance

The following table and chart illustrate Crown's legal structure and relationship with the Crown Capital Funds as at the date hereof.

Name	Place of Formation	Ownership Interest	Manager
Norrep Credit Opportunities Fund, LP	Alberta	None	Yes
Norrep Credit Opportunities Fund II (Parallel), LP	Alberta	None	Yes
Norrep Credit Opportunities Fund II, LP	Alberta	69.75%	Yes
Crown Capital Funding Corporation	Canada	100%	N/A
Crown Capital Fund IV, LP	Alberta	50%	Yes
Crown Capital Private Credit, LP	Alberta	100%	Yes



Notes:

- (1) Chart excludes subsidiaries functioning solely as general partners of the limited partnerships.
- (2) Norrep II and Norrep II (Parallel) invest on a *pari passu* basis – 76.87% and 23.13%, respectively.
- (3) Prior to acquiring this 69.75% interest through the Rollover Transaction, Crown was only the manager of this entity.
- (4) This limited partnership was formed on September 23, 2015.
- (5) This limited partnership was formed on December 16, 2015.

Market Opportunity

The market for alternative financing solutions for mid-market companies in Canada is attractive. Canada's financial landscape is dominated by large chartered banks and private equity funds, whose financing terms and dilutive financing structures are, in Crown's view, often ill-suited to meet the demands of many mid-market companies. Since the credit crisis, Crown has observed a widening of the funding gap, as banks have further limited their willingness to extend credit to smaller borrowers. There are approximately 6,000 mid-market companies in Canada.⁽¹⁾ These companies generate approximately US\$667.5 billion in revenue, support 1.9 million jobs and contribute 31.8% to Canada's gross domestic product.⁽¹⁾ Crown believes that many of these mid-market companies will execute transactions with private capital providers such as Crown as they are unable to obtain an appropriate amount of senior debt and do not want to engage in a dilutive equity transaction.

⁽¹⁾Source: HSBC Commercial Banking report "Hidden Impact: The Vital Role of Mid-Market Enterprises".

Highlights of 2015

During year ended December 31, 2015, Crown achieved a number of key milestones including:

- completing the IPO which raised gross proceeds of \$65.0 million;

- completing the acquisition of approximately 69.75% of the outstanding units of NCOF II in exchange for 3,214,494 Common Shares valued at \$35.4 million (the “**Rollover Transaction**”);
- achieving total revenue of \$8.2 million and total comprehensive income of \$3.8 million
- completing the initial closing of Crown Capital Fund IV, LP (“**CCF IV LP**”), a Special Situations Financing debt fund with initial capital commitments of \$100.0 million;
- creating CCPC LP as a vehicle to hold Crown’s interests in Long-Term Financings;
- completing two Special Situations Financing transactions for a total of \$35.0 million and one Long-Term Financing transaction for \$25.0 million; and
- strengthening its operational capacities by adding personnel in key areas, including a Chief Investment Officer (“**CIO**”) and three senior business development executives.

In addition, in January 2016, Crown declared and paid its first quarterly dividend of \$0.11 per Common Share.

Initial Public Offering

Pursuant to the IPO, Crown became a reporting issuer on June 30, 2015 and issued 5,910,000 Common Shares at a price of \$11.00 per Common Share, resulting in gross proceeds of \$65.0 million before underwriters’ commissions and offering expenses of \$4.6 million, net of deferred tax of \$1.7 million. The Common Shares began trading on the Toronto Stock Exchange (“**TSX**”) on July 9, 2015 under the symbol TSX:CRN.

Acquisition of Norrep Credit Opportunities Fund II, LP

Immediately prior to closing of the IPO, the Corporation acquired approximately 69.75% of the outstanding units of NCOF II in exchange for 3,214,494 Common Shares valued at \$35.4 million pursuant to the Rollover Transaction. At the time of the Rollover Transaction, NCOF II, established in 2012, held interests in five investee companies, which included loans to four investees, publicly-traded common shares of two investees and share purchase warrants of one privately-held investee. All of its investments are made on a *pari passu* basis with Norrep Credit Opportunities Fund II (Parallel) (“**NCOF II (Parallel)**”) and together with NCOF II, the “**NCOF Funds**”). NCOF II’s pro rata ownership of the NCOF Funds’ investments is 76.87%.

Creation of Crown Capital Fund IV, LP

On September 23, 2015, Crown announced the initial closing of a Special Situations Financing debt fund, CCF IV LP, with initial capital commitments of \$100.0 million. As of December 31, 2015, CCF IV LP’s limited partners, including Crown’s wholly-owned subsidiary, Crown Capital Funding Corporation (“**CCFC**”), had contributed a total of \$35.0 million to capitalize CCF IV LP. Further capital calls will be made as funds are required for investment. CCF IV LP will continue to invest in Special Situations Financing transactions originated and managed by Crown and consisting of senior and subordinated loans with terms ranging from six months to five years. CCF IV LP has a maximum size of \$300 million, with additional closings to occur within the next three years as investment opportunities are identified and subscriptions in CCF IV LP are received. Crown, through CCFC, has committed to invest up to

\$50 million in CCF IV LP. As of December 31, 2015, CCFC had contributed capital totaling \$17.5 million to, and currently holds a 50% interest in, CCF IV LP.

Significant Investment Transactions in 2015

During 2015, the following significant transactions occurred in CCF IV LP:

- On September 29, 2015, CCF IV LP provided a \$15.0 million subordinated loan to Petrowest Corporation (TSX:PRW) ("**Petrowest**"), a publicly-listed Canadian company, and received 4,300,000 common share purchase warrants of Petrowest (the "**Petrowest Warrants**"); and
- On November 25, 2015, CCF IV LP provided a \$20.0 million subordinated loan to Distinct Infrastructure Inc. (TSX Venture:DUG) ("**Distinct**"), a publicly-listed Canadian company, and received 8,000,000 common shares of Distinct (the "**Distinct Shares**").

During 2015, the following significant transactions occurred in the CCPC LP:

- On December 16, 2015, Crown, through its wholly-owned subsidiary, CCPC LP, provided a \$25.0 million long-term loan to PenEquity Realty Corporation ("**PenEquity**"), a private Canadian company.

During 2015, the following significant transactions occurred in the NCOF Funds:

- In December 2014, the NCOF Funds provided a \$22.5 million debt facility to CRH Medical Corporation (TSX:CRH) ("**CRH**") and received 2,000,000 common shares of CRH (the "**CRH Shares**") and in 2015, the NCOF Funds sold all the CRH Shares for proceeds totaling approximately \$8.7 million, realizing a gain for the NCOF Funds of approximately \$7.1 million, of which approximately \$0.30 million was earned after the Rollover Transaction was completed;
- In April 2015, the NCOF Funds provided a \$4.0 million debt facility to Corrosion Service Company ("**Corrosion**"), a private Canadian company; and
- Two loans held by the NCOF Funds were repaid in full, including:
 - a \$10.0 million loan to Questrade Inc. ("**Questrade**") was repaid in full on July 24, 2015, including bonus interest and unwinding and redeployment fees totaling \$2.2 million; and
 - a \$25.0 million loan to Claude Resources Inc. (TSX:CRJ) ("**Claude**") was repaid in full on September 21, 2015, including unwinding and redeployment fees of \$199,000. The NCOF Funds received 4,545,454 common shares of Claude in 2014 (the "**Claude Shares**") for no cost in consideration for a forbearance agreement. The Claude Shares were still owned by the NCOF Funds at December 31, 2015.

Portfolio in 2015

During 2015, Crown held ownership interests in seven loans (nil at December 31, 2014).

Borrower	Loan Principal Amount Outstanding at December 31, 2015 ⁽¹⁾	Attributable to		Status
		Shareholders	Non-controlling interests	
Special Situations Financing transactions				
CRH	\$22,500,000	\$12,063,330	\$5,231,346	Current
Corrosion	\$4,000,000	\$2,144,592	\$929,885	Current
Questrade	nil	N/A	N/A	Repaid July 2015
Claude	nil	N/A	N/A	Repaid September 2015
Petrowest	\$15,000,000	\$7,500,000	\$7,500,000	Current
Distinct	\$20,000,000	\$10,000,000	\$10,000,000	Current
Long-Term Financing transactions				
PenEquity	\$25,000,000	\$25,000,000		Current

Note:

- (1) The above principal amounts are stated at the face value of the loans. The loans to CRH and Corrosion were made *pari passu* with NCOF II (Parallel). Only the amounts attributable to Shareholders and non-controlling interests are included in the consolidated financial statements and these exclude the pro rata portions held by NCOF II (Parallel).

In addition to the above loans, as at December 31, 2015, the NCOF Funds held ownership interests in 4,545,454 Claude Shares and CCF IV LP held ownership interests in 4,300,000 Petrowest Warrants and 8,000,000 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.

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 decline 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 decline 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 of the date hereof. 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

Business Description Headquartered in Vancouver, British Columbia, CRH is a publically traded healthcare company (TSX:CRH) that provides innovative products and essential services to gastroenterologists throughout the United States. CRH’s core business is related to 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 2000 physicians across 800 clinics throughout the United States.

Business Overview CRH reported significant year-over-year growth in revenue and EBITDA for fiscal 2015, primarily attributable to the anesthesia service acquisitions completed throughout the year. Going forward, CRH expects the anesthesia services business to continue to increase primarily through acquisitions as well as further increases in product sales as it expands its physician network.

Industry Healthcare

Capital Investment \$22.5 million

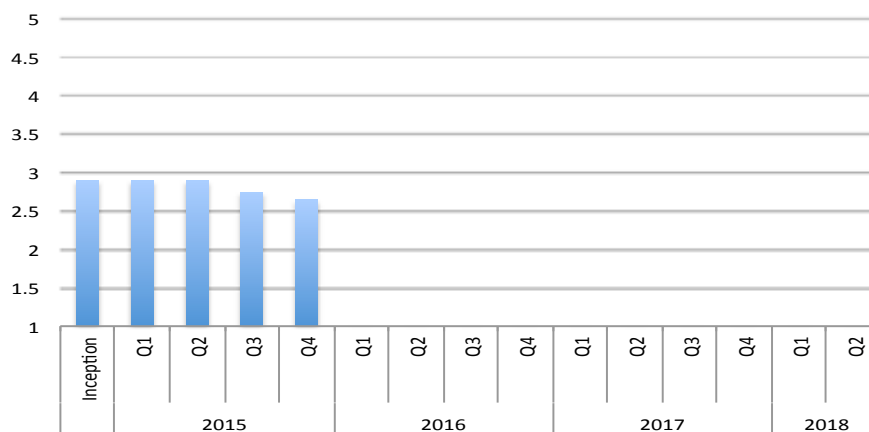
Investment Date December 2, 2014

Term 42 months

Interest Rate 12%

Bonus/Participation 2.0 million common shares (sold)

Risk Rating



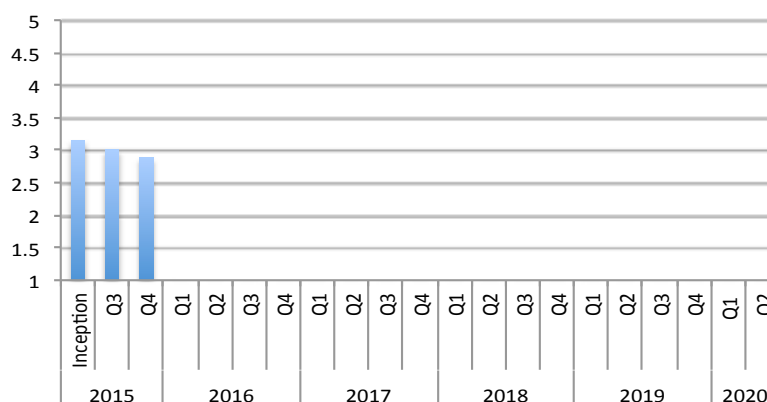
Corrosion Services Company Limited

Business Description Established in 1950, Corrosion is a private 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 has performed well in 2015, achieving strong revenue and EBITDA growth during the year and outperforming initial budget expectations. The outlook for pipeline integrity testing continues to be favourable due to the regulatory and safety requirements in the industry. Corrosion expects to continue to benefit from these favourable industry conditions and to grow its market share in the coming year.

Industry	Business Services
Capital Investment	\$4.0 million
Investment Date	April 1, 2015
Term	60 months
Interest Rate	Not disclosed
Bonus/Participation	% increase in enterprise value

Risk Rating



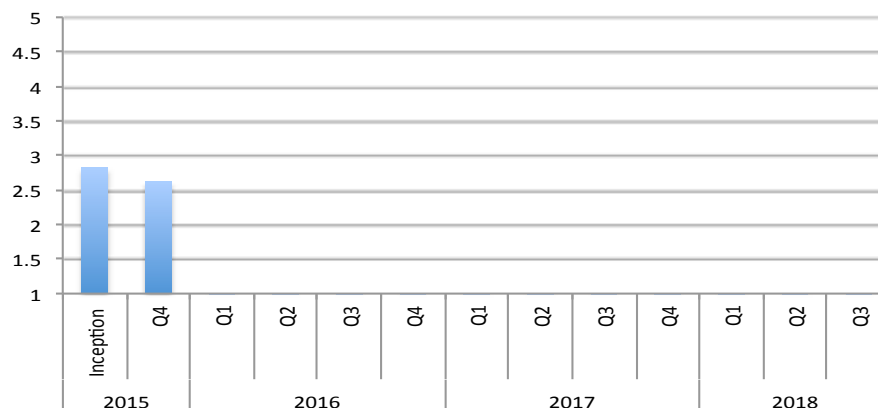
Petrowest Corporation

Business Description Headquartered in Calgary, Alberta, Petrowest is a publically traded company (TSX:PRW) that was 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 On December 21, 2015, the BC Hydro Site C Clean Energy Project main civil work contract was awarded to Peace River Hydro Partners, in which Petrowest is a 25% partner, along with Acciona Infrastructure Canada Inc. and Samsung C&T Canada Ltd. The Site C contract is valued at approximately \$1.75 billion, and work is expected to commence early April 2016. The contract will serve to further diversify Petrowest's revenue towards infrastructure, reducing the exposure to the oil and gas sector.

Industry	Diversified
Capital Investment	\$15.0 million
Investment Date	September 29, 2015
Term	36 months
Interest Rate	11%
Bonus/Participation	4.3 million Petrowest Warrants

Risk Rating



Distinct Infrastructure Group Inc.

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

Business Overview Distinct continues to achieve organic growth through its telecommunications and cable customers while executing the initiative to implement customer and regional diversification. Crown provided Distinct with a \$20 million acquisition line in November 2015, Distinct is actively seeking acquisition opportunities to grow its business in Ontario and Western Canada. Distinct closed its first acquisition of Mega Diesel Excavating Ltd. on March 10, 2016.

Industry Infrastructure Services

Capital Investment \$20.0 million

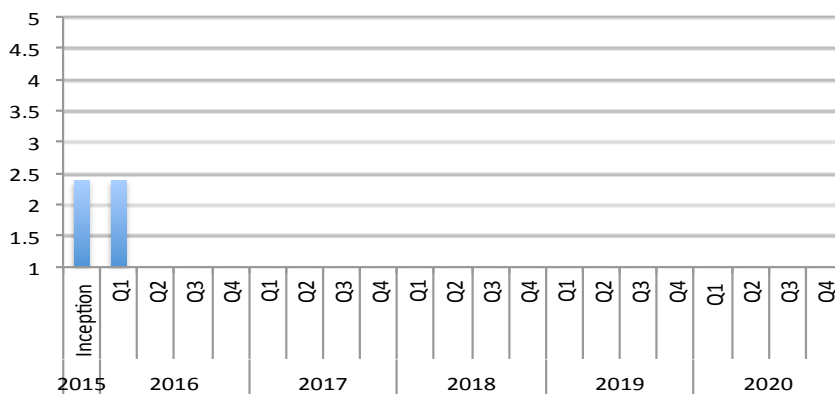
Investment Date November 25, 2015

Term 60 months

Interest Rate 10%

Bonus/Participation 8.0 million common shares

Risk Rating



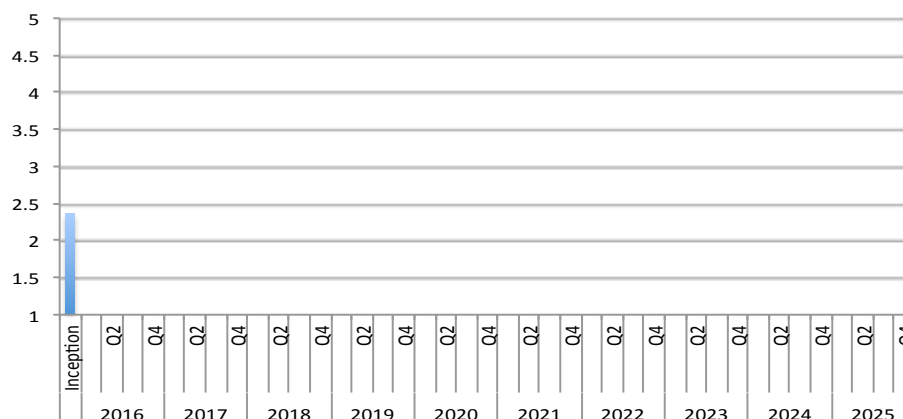
PenEquity Realty Corporation

Business Description 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 PenEquity has completed over 23 development projects. PenEquity has established strong relationships with partners/key tenants and has been successful in attracting large, high quality, financially stable tenants.

Business Overview 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 will develop and realize on these projects over the next five years. One of two Barrie projects is currently in the construction phase, with initial phase to be completed by December 2016 and final completion in 2017.

Industry	Real Estate Development
Capital Investment	\$25.0 million
Investment Date	December 16, 2015
Term	120 months
Interest Rate	Not disclosed
Bonus/Participation	None

Risk Rating



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.

Overall Performance

Crown's financial position at December 31, 2015 and its financial results for the year ended December 31, 2015 are not comparable to the prior year due to the IPO, the Rollover Transaction and the establishment of CCF IV LP and CCPC LP.

Total assets increased from \$2.8 million at December 31, 2014 to \$130.1 million at December 31, 2015, including an increase in cash and cash equivalents from \$2.7 million to \$43.6 million. Total equity increased from \$103,752 at December 31, 2014 to \$99.3 million at December 31, 2015.

Total revenues in the year ended December 31, 2015 were \$8.2 million compared to \$1.7 million in the year ended December 31, 2014. Total comprehensive income attributable to shareholders of the Corporation (“**Shareholders**”) increased from less than \$2,000 to \$2.0 million. Revenues were higher in 2015 due to a combination of factors including the Rollover Transaction and the establishment of CCF IV LP, which subsequently completed the Petrowest transaction and the Distinct transaction, and CCPC LP, which subsequently completed the PenEquity transaction.

Expenses in the year ended December 31, 2015 increased to \$3.6 million compared to \$1.7 million in the year ended December 31, 2014. Operating costs in 2015 were higher due primarily to new compensation and employee bonus arrangements post-IPO and the addition of the CIO and two senior business development executives in the fourth quarter of 2015 to increase Crown’s capacity to originate, underwrite and manage new transactions. Expenses also increased due to increased professional fees, incurred mostly during the period after the IPO.

Total comprehensive income attributable to Shareholders increased from less than \$2,000 in the year ended December 31, 2014 to \$2.0 million in the year ended December 31, 2015. The factors impacting total comprehensive income attributable to Shareholders were similar to the factors impacting the overall financial condition and performance of the Corporation as mentioned above, including the IPO, the Rollover Transaction and the establishment of CCF IV LP and CCPC LP. Also, prior to the IPO, it was Crown’s policy to accrue management fee expenses and management fees payable by approximately the amount of taxable income before such fees. This practice was not continued after the IPO.

The financial results of the Corporation as at and for the year ended December 31, 2015 discussed in this MD&A reflect the completion of the IPO and also include the results of operations of NCOF II, CCF IV LP and CCPC LP, from their dates of acquisition and formation, respectively, for the years ended December 31, 2015 and December 31, 2014.

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 revenues from interest and fees and other income increasing. As additional capital calls are made on the limited partners of CCF IV LP to fund Special Situations Financings, it is expected the Corporation’s cash and cash equivalents will be reduced and investments, total assets and non-controlling interests (“**NCI**”) will increase. Completion of additional Long-Term Financing transactions is expected to reduce cash and cash equivalents and increase investments.

Selected Annual Information

The following table provides selected annual information about the Corporation's financial condition and performance for the three years ended December 31, 2015. Crown's financial position at December 31, 2015 and its financial results for the year ended December 31, 2015, are not comparable to the prior two years due to the IPO, the Rollover Transaction and the establishment of CCF IV LP and CCPC LP.

Selected Annual Information	Years Ended December 31		
	2015	2014	2013
Revenue:			
Fees and other income	\$ 2,808,673	\$ 1,736,777	\$ 2,500,048
Interest revenue	2,511,715	-	-
Net realized gain on sale of investments	71,386	-	-
Net change in unrealized gains in fair value of investments	2,817,311	-	-
Revenue	\$ 8,209,085	\$ 1,736,777	\$ 2,500,048
Total comprehensive income (loss), net of non-controlling interests	\$ 2,034,313	\$ 1,888	\$ 1,530
Weighted average shares outstanding - basic ⁽¹⁾	4,715,114	303,000	303,000
Total comprehensive income (loss) per share - basic ⁽¹⁾	\$ 0.43	\$ 0.01	\$ 0.01
Weighted average shares outstanding - diluted ⁽¹⁾	4,833,785	303,000	303,000
Total comprehensive income (loss) per share - diluted ⁽¹⁾	\$ 0.42	\$ 0.01	\$ 0.01
Investments, at fair value through profit or loss	\$ 84,367,280	-	-
Total Assets	\$ 130,090,183	\$ 2,775,162	\$ 1,252,855
Total non-current financial liabilities	\$ 26,565,645	\$ 100,000	\$ 25,000
Total Equity	\$ 99,260,977	\$ 103,752	\$ 101,864
Shares outstanding at December 31	9,488,094	303,000	303,000
Total equity per share at December 31	\$ 10.46	\$ 0.34	\$ 0.34

Note:

- (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.

Discussion of Operations

During the year ended December 31, 2014 and the first six months of 2015, the business of the Corporation was limited primarily to the provision of investment management services to three limited partnerships: NCOF II, NCOF II (Parallel), and Norrep Credit Opportunities Fund, LP ("**NCOF LP**"). With the closing of the IPO, the Corporation's business was expanded to also include the deployment of the Corporation's capital through NCOF II, CCF IV LP and CCPC LP.

Crown consolidates 100% of its approximate 69.75% interest in NCOF II and, through CCFC, its 50% interest in CCF IV LP and 100% interest in CCPC LP and reflects the interests of other investors in these funds as non-controlling interests.

Revenues

Revenues of \$5.8 million and \$8.2 million were recognized in the three and twelve months ended December 31, 2015 (2014 – \$0.3 million and \$1.7 million), respectively. Revenues were higher in 2015 due to a combination of factors including the Rollover Transaction, which resulted in the inclusion of interest, fees and other income and net gains on investments earned by NCOF II during the period after the IPO. In addition, the establishment of CCF IV LP, which subsequently completed Special Situations Financings to Petrowest and Distinct, and CCPC LP, which subsequently completed Long-term Financing to PenEquity, also resulted in increases in interest revenue, fees and other income and Net gain on investments. Investment management fees were lower in 2015 compared to 2014 due, in part, to the elimination on consolidation of fees charged to NCOF II and CCF IV as well as the repayment of loans in 2014 and 2015, which reduced the bases on which Crown earns management fees.

Fees and Other Income

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

Fees and Other Income	Year Ended December 31, 2015		Attributable to:			
			Shareholders		Non-controlling interest	
Special Situations Financing transactions						
Management fee revenue ⁽¹⁾	\$	741,641	\$	741,641	100.00%	- 0.00%
Transaction fees - Crown ⁽²⁾		350,000		350,000	100.00%	- 0.00%
Transaction fees - CCF IV LP ⁽²⁾		350,000		175,000	50.00%	175,000 50.00%
Other fees - NCOF II (post-Rollover Transaction)		306,693		213,924	69.75%	92,769 30.25%
Long-Term Financing transactions						
Transaction fees - CCPC LP		750,000		750,000	100.00%	- 0.00%
Interest earned on cash and cash equivalents		310,339		310,339	100.00%	- 0.00%
Total fees and other income	\$	2,808,673	\$	2,540,904		\$ 267,769

Notes:

- (1) Management fee revenue is net of fees charged to NCOF II after completion of the Rollover Transaction and to CCF IV LP, which are eliminated on consolidation.
- (2) Under the CCF IV LP limited partnership agreement, Crown, as the Investment Manager, is entitled to retain 50% of certain transactions fees earned by CCF IV LP up to a maximum of 1% of the initial amount of each financing transaction.

Fees and other income in the three and twelve months ended December 31, 2015 were \$1.5 million and \$2.8 million (2014 - \$0.3 million and \$1.7 million), respectively. The amounts earned in 2015 include unwinding and redeployment fees of \$0.3 million received upon the repayment of the loans to Questrade and Claude, transaction fees of \$1.4 million received by CCF IV LP and CCPC LP upon closing of the Petrowest, Distinct and PenEquity investments, management fees totaling \$0.7 million and interest of \$0.3 million earned on Crown's cash and cash equivalents.

The Corporation generally earns non-refundable transactions fees upon the closing of investments which are recognized in revenues when received. The Corporation also receives additional fees when

loans are repaid prior to maturity or, for example, for providing waivers, consents or forbearance agreements. For the three and twelve months ended December 31, 2015, such transaction fees totaled \$1.2 million and \$1.4 million (2014 - \$nil and \$nil), respectively. On consolidation, 100% of transaction fees earned by NCOF II, CCF IV LP, and CCPC LP are included in fees and other income. The non-controlling interests of NCOF II earn 30.25% of any fees and other income earned by NCOF II. For CCF IV LP, Crown, as Manager, is entitled to retain 50% of fees earned on the initial closing of a financing transaction, up to a maximum of 1.0% of the amount invested. It also retains a pro rata interest in the remaining amount of the fees through its 50% interest ownership in CCF IV LP. For any transaction fees earned on investments by CCPC LP, 100% is attributable to the Corporation as there are no non-controlling interests in CCPC LP.

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

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

Management fees (net of discounts and management fee reductions) of \$80,089 and \$0.7 million were recognized in the three and twelve months ended December 31, 2015 (2014 - \$0.3 million and \$1.7 million), respectively. Management fees were lower in 2015 due largely to a combination of the elimination on consolidation of all management fees charged to CCF IV LP as well as post-Rollover Transaction management fees charged to NCOF II. Returns of capital to the NCOF Fund's limited partners, which reduced the amount of contributed capital of the NCOF Funds on which management fees are charged, also resulted in a reduction in management fees in 2015.

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 twelve months ended December 31, 2015, interest earned on cash and cash equivalents totaled \$0.2 million and \$0.3 million (2014 - \$2,174 and \$7,718), respectively. Of this interest, 100% is attributable to Crown.

Interest Revenue

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

Interest Revenue	Year Ended December 31, 2015	Attributable to:			
		Shareholders		Non-controlling interests	
Special Situations Financings					
NCOF II - post-Rollover Transaction	\$ 1,730,339	\$ 1,206,941	69.75%	\$ 523,398	30.25%
CCF IV LP	627,951	313,976	50.00%	313,976	50.00%
Long-term Financings					
CCPC LP	153,425	153,425	100.00%	-	0.00%
Total interest revenue	\$ 2,511,715	\$ 1,674,341		\$ 837,374	

Interest revenue in the three and twelve months ended December 31, 2015 was \$1.3 million and \$2.5 million (2014 - \$nil and \$nil), respectively. The increases were due primarily to inclusion, post-acquisition, of interest earned on investments held by NCOF II as well as on loans made in 2015 by CCF IV LP to Petrowest and Distinct. Crown consolidates all interest earned by NCOF II, CCF IV LP, and CCPC LP.

Net Gain on Investments

The net gain on investments includes both net realized gains (losses) on sale of investments and net change in unrealized gains in fair value of investments.

The net realized gain on sale of investments in the three and twelve months ended December 31, 2015 totaled \$nil and \$71,386 (2014 - \$nil and \$nil), respectively and included a gain on the sale, in July 2015, of the remaining CRH Shares held by the NCOF Funds (\$0.2 million), net of the realized loss on the loan to Claude (\$0.2 million). Of the net realized gain of \$71,386 for the twelve months ended December 31, 2015, \$49,792 was attributable to Shareholders and the balance, \$21,593, was attributable to non-controlling interests.

In December 2014, the NCOF Funds provided a \$22.5 million debt facility to CRH and received 2,000,000 CRH Shares. During the year ended December 31, 2015, the NCOF Funds sold all the CRH Shares for proceeds totaling approximately \$8.7 million. When Crown completed the Rollover Transaction, the CRH shares still owned by NCOF II were valued at \$2,934,768. These CRH Shares were subsequently sold for a total of \$3,168,562 for a net realized gain of \$233,793.

The net realized loss (\$162,407) upon early repayment of the Claude loan was largely offset by the unwinding and redeployment fees received by NCOF II upon Claude's early repayment (\$152,962).

The net change in unrealized gains in fair value of investments in the three and twelve months ended December 31, 2015, totaled \$3.0 million and \$2.8 million (2014 - \$nil and \$nil), respectively and resulted from a combination of factors but primarily from increases in the fair value of the CRH loan, the Claude Shares and the Petrowest Warrants. Of the net change in unrealized gains in fair value of investments of \$2.8 million for the twelve months ended December 31, 2015, \$1.8 million was attributable to Shareholders and the balance, \$1.0 million was attributable to non-controlling interests.

Changes in fair value of a debt security can be the result of a variety of factors in isolation or combined. For example, a change in the financial condition of the borrower or the market in which it operates can lead to increases or decreases in the discount rate applied to determine the present value of expected future cash flows. Changes in market interest rates and the time remaining to maturity of loans also impact valuations that are based on the present value of expected future cash flows. As a result, the fair market value of loans can fluctuate, leading to additional net change in unrealized gains (losses) in fair value of investments. The fair value of equity securities and warrants may also increase or decrease due to factors such as the change of the price of publicly-traded securities. For additional information, see Note 5 - Fair Value Measurement in the Corporation's Consolidated Financial Statements for the years ended December 31, 2015 and 2014.

Expenses

Expenses in the three and twelve months ended December 31, 2015 totaled \$1.6 million and \$3.6 million (2014 - \$0.3 million and \$1.7 million), respectively. Operating costs are mostly fixed with the largest cost being employee compensation, including share-based compensation and amounts accrued for annual employee bonuses.

Salaries, management fees and benefits

Salaries, management fees and benefits expense totaled \$0.6 million and \$1.6 million in the three and twelve months ended December 31, 2015 (2014 - \$0.3 million and \$1.4 million), respectively. Prior to the IPO, it was Crown's policy to accrue management fee expenses and management fees payable by approximately the amount of taxable income before such fees. This practice was not continued after the IPO. The increase in Salaries, management fees and benefits expenses in the three and twelve months ended December 31, 2015, compared to the same periods in 2014 was due primarily to new compensation and employee bonus arrangements post-IPO and the addition of the CIO and two senior business development executives in the fourth quarter of 2015 to increase Crown's capacity to originate, underwrite and manage new transactions.

Share-based Compensation

The table below details the share-based compensation expense recognized in the year ended December 31, 2015. Share-based compensation expense is recognized over the expected vesting period of each award.

Share-based Compensation Expense Three and Twelve Months Ended December 31, 2015	Number Outstanding at December 31, 2015	Three Months	Twelve Months
TRSUs	181,818	\$ 142,516	\$ 398,938
PSUs	36,528	63,332	121,216
RSUs - employees	11,443	9,631	18,434
RSUs - directors	20,452	27,142	50,659
Options - employees	491,849	79,202	147,367
Totals	742,090	\$ 321,823	\$ 736,614

Share-based compensation totaled \$0.3 million and \$0.7 million in the three and twelve months ended December 31, 2015 (2014 - \$nil and \$nil), respectively. In the year ended December 31, 2015, the Corporation issued 181,818 transition restricted share units (the “**Transition RSUs**”), 36,528 performance share units (the “**PSUs**”) and 31,895 restricted share units (the “**RSUs**”) (collectively the “**Share Units**”) to key management personnel, directors and employees.

The Transition RSUs, valued at \$2.0 million immediately prior to the IPO, were issued to two key management personnel to compensate for long and valued service rendered by them to the Corporation. The vesting terms of the Transition RSUs were revised on December 21, 2015. The Transition RSUs now vest in their entirety on July 9, 2018, instead of in equal tranches annually over a three-year period.

The PSUs, other than the 13,636 PSUs issued to the Chief Financial Officer (“**CFO**”), vest when certain performance objectives are achieved, and it is expected they will be fully vested by July 2017. The PSUs issued to the CFO vest on July 9, 2016.

The RSUs generally vest in equal tranches annually over a three-year period.

The fair value of the Units granted was based on the closing price on the date of grant.

In addition, in the three and twelve months ended December 31, 2015 and after completion of the IPO, the Corporation issued 63,636 and 491,849 stock options (the “**Options**”), respectively, to key management personnel and employees. The Options vest over a three-year period, have a five-year term, and have an exercise price of \$11.00. At December 31, 2015, the Options granted were valued at \$0.52 - \$1.14 each based on the Black-Scholes model. Expected volatility has been based primarily on the volatility of shares in comparable public companies.

The assumptions used at the date of issue to determine the fair value of Options granted include:

Risk free interest rate	1.0%
Dividend yield	4.0%
Expected volatility	25%
Expected life	5 years
Grant price per Option	\$8.04 - \$10.10
Exercise price per Option	\$11.00

Professional Fees and Other

Professional fees and other expenses totaled \$0.5 million and \$1.0 million in the three and twelve months ended December 31, 2015 (2014 - \$74,975 and \$0.3 million), respectively. Professional fees and other includes professional fees (such as legal and audit costs), advisory board fees, travel, promotion, occupancy costs, insurance, depreciation, office administration and other costs. Some costs incurred in the three and twelve months ended December 31, 2015 are expected to be non-recurring or occur infrequently, such as legal expenses to establish CCF IV LP and CCPC LP and executive recruitment costs associated with expanding Crown’s management team.

Performance Bonus Pool 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 general partner of the NCOF Funds is Crown’s wholly-owned subsidiary, Crown Capital Fund III Management Inc. (“**CCF III**”). Prior to the closing of the IPO, the Corporation committed to pay 100% of performance fee distributions earned to that date from the NCOF Funds 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 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 twelve months ended December 31, 2015, Crown accrued performance bonus pool expense of \$0.2 million and \$0.3 million (2014 – \$nil and \$nil), respectively.

Gain on Acquisition of NCOF II

Immediately prior to closing of the IPO, the Corporation acquired approximately 69.75% of the units of NCOF II in exchange for 3,214,494 Common Shares valued at \$35.4 million, as described in Note 4 of the Corporation’s December 31, 2015 Consolidated Financial Statements. As a result of this transaction, for the year ended December 31, 2015, Crown recorded a gain on acquisition of NCOF II of \$469,625 (2014 - \$nil).

Earnings before Income Taxes

For the three and twelve months ended December 31, 2015, Crown had earnings (loss) before income taxes of \$4.1 million and \$5.1 million [2014 - (\$3,302) and \$2,578], respectively.

Income Taxes

For the three and twelve months ended December 31, 2015, Crown recorded current tax expense (recovery) of \$1.0 million and \$1.2 million [2014 – (\$282) and \$600], respectively and deferred income taxes (recovery) of (\$93,391) and \$35,659 (2014 - \$90 and \$90), respectively.

Current and deferred income taxes are recognized based on management’s best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the reporting period.

The Corporation’s consolidated effective tax rate for the year ended December 31, 2015 was 26.5%. The effective rate increased on the date of the IPO as the Corporation is now classified as a public corporation and not eligible for the small business deduction.

The deferred income tax asset at December 31, 2015 results primarily from financing costs associated with the IPO which are deductible for tax purposes over a five year period.

Total Comprehensive Income

For the three and twelve months ended December 31, 2015, Crown earned total comprehensive income (loss) of \$3.1 million and \$3.8 million [2014 – (\$3,110) and \$1,888].

Total Comprehensive Income Attributable to Shareholders of the Corporation and Non-controlling Interests

Through the Rollover Transaction, Crown acquired approximately 69.75% of the outstanding units of NCOF II, resulting in non-controlling interests in NCOF II of approximately 30.25%. Through CCFC's subscription for 50,000 units of CCF IV LP, Crown acquired a 50% interest in CCF IV LP, resulting in non-controlling interests in CCF IV LP of 50%.

For the three and twelve months ended December 31, 2015, total comprehensive income (loss) attributable to Shareholders was \$1.7 million and \$2.0 million [2014 – (\$3,110) and \$1,888], respectively. Total comprehensive income attributable to non-controlling interests was \$1.5 million and \$1.8 million (2014 – \$nil and \$nil), respectively.

Quarterly Results Summary

Quarterly Results Summary	Three Months Ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenue:				
Fees and other income	\$ 1,537,012	\$ 740,757	\$ 273,121	\$ 257,783
Interest revenue	1,254,920	1,256,795	-	-
Net realized gain on sale of investments	-	71,386		
Net change in unrealized gains in fair value of investments	2,965,374	(148,063)		
Revenue	\$ 5,757,306	\$ 1,920,875	\$ 273,121	\$ 257,783
Total comprehensive income (loss), net of non-controlling interest	\$ 1,681,296	\$ 395,220	\$ (42,423)	\$ 220
Weighted average shares outstanding – basic ⁽¹⁾	9,488,094	8,595,480	330,303	303,000
Total comprehensive income(loss) per share - basic ⁽¹⁾	\$ 0.18	\$ 0.05	\$ (0.13)	-
Weighted average shares outstanding - diluted ⁽¹⁾	9,735,608	8,817,892	330,303	303,000
Total comprehensive income(loss) per share - diluted ⁽¹⁾	\$ 0.17	\$ 0.04	\$ (0.13)	-
Investments, at fair value through profit or loss	\$ 84,367,280	\$ 36,401,906	-	-
Total assets	\$ 130,090,183	\$ 114,296,590	\$ 7,200,015	\$ 4,368,382
Total equity	\$ 99,260,977	\$ 97,257,858	\$ 728,149	\$ 103,972
Total equity per share - basic	\$ 10.46	\$ 10.25	\$ 2.00	\$ 0.34

Note:

- (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.

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2015 totaled \$43.6 million (2014 - \$2.7 million). The increase in cash and cash equivalents was primarily the combined result of the receipt of proceeds of the IPO, the sale of the remainder of the CRH Shares held by the NCOF Funds and the repayment of the NCOF Funds loans to Questrade and Claude, net of amounts contributed to CCF IV LP for the Petrowest and Distinct transactions (a total of \$17.5 million) and to CCPC LP for the PenEquity transaction (\$25.0 million).

The Corporation's current liabilities at December 31, 2015 totaled \$4.3 million (2014 - \$2.6 million). Accounts payable and accrued liabilities at December 31, 2015 of \$0.9 million (2014 - \$2.6 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 December 31, 2015, deferred interest revenue included \$1.8 million to reflect such advance payments of loan interest (2014 - \$nil).

Distributions payable to non-controlling interests at December 31, 2015 totaled \$0.4 million (2014 - \$nil) and income taxes payable were \$1.2 million (2014 - \$626). Working capital at December 31, 2015 was \$39.8 million (2014 - \$195,856).

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

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 December 31, 2015.

When loans made by NCOF II are repaid, the net proceeds are usually returned promptly to the limited partners, including Crown, resulting in an increase in cash and cash equivalents for amounts paid to Crown.

At December 31, 2015, only \$17.5 million (35%) of the \$50 million committed to CCP IV LP to that date by limited partners other than Crown had been drawn by CCP IV LP, leaving \$32.5 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 within the next three years as opportunities are identified to fund Special Situations Financing transactions and subscriptions in CCF IV LP are received. When loans made by CCF IV LP are repaid during the first three years of the limited partnership, the principal repaid can be redeployed rather than being returned to the limited partners; however, there would be a drop in interest revenues if the amounts repaid are not able to be redeployed promptly after being received and on similar or better terms than the loans repaid.

The Corporation has had discussions with potential lenders to the Corporation and it is possible that the Corporation will acquire debt in the future; however, no such commitments have been made by the Corporation as of the date hereof.

The Corporation entered into long-term subordinated shareholder loans in 2012 for \$25,000 and an additional \$75,000 in 2014. These loans carried no interest, had no set repayment terms and were subordinated to all other creditors. In addition, the Shareholders provided short term demand loans totaling \$250,000 in February 2015 in order to ensure sufficient capital was available to fund the initial

costs of the IPO. These additional loans were subordinated in May 2015. On July 13, 2015, the subordinated shareholder loans were repaid from the net proceeds of the IPO.

Investments, at Fair Value through Profit or Loss

Investments, at fair value through profit or loss, at December 31, 2015 totaled \$84.4 million (2014 - \$nil). On July 9, 2015, immediately prior to the closing of the IPO, Crown acquired investments held by NCOF II totaling \$49.5 million in the Rollover Transaction. Subsequent to the IPO, the NCOF Funds, of which NCOF II's pro rata ownership is 76.87%, received a prepayment on July 24, 2015 of a \$10 million debt facility in full from Questrade and on September 21, 2015, Claude prepaid a \$25 million debt facility in full. In addition, in July 2015, the NCOF Funds sold the remaining 805,500 CRH Shares for approximately \$4.1 million.

Additional Information about Investments, at fair value through profit or loss can be found in Note 5 Fair value measurement in the consolidated financial statements for the years ended December 31, 2015 and December 31, 2014.

Performance Bonus Payable

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. Accordingly, the performance fee distributions payable to CCF III accrued in NCOF II at the date of acquisition, as described in Note 4 of the Corporation's December 31, 2015 Consolidated Financial Statements, are recognized as performance bonus payable in the consolidated statement of financial position at December 31, 2015. The performance bonus payable at December 31, 2015 (\$2.0 million) also includes 50% of performance fee distributions accrued post-IPO. The other 50% will be retained by the Corporation.

Non-Controlling Interests

As a result of the Rollover Transaction, Crown acquired approximately 69.75% of the outstanding units of NCOF II resulting in non-controlling interests in NCOF II of approximately 30.25%. Through CCFC's subscription for 50,000 units of CCF IV LP, Crown acquired a 50% interest in CCF IV LP, resulting in non-controlling interests in CCF IV LP of 50%. At December 31, 2015, the non-controlling interests on the consolidated statements of financial position was \$24.6 million (2014 - \$nil).

Share Capital

Prior to May 20, 2015, the Corporation had share capital of \$100 and 100 Common Shares outstanding. On May 20, 2015, the Corporation issued 20 Common Shares at a price of \$1 per Common Share to two key management personnel, contingent on the successful completion of the IPO, resulting in total Common Shares outstanding of 120. The Common Shares were split on a 3,030 to 1 basis on June 30, 2015, resulting in 363,600 Common Shares issued and outstanding at June 30, 2015.

The 20 Common Shares issued on May 20, 2015 (60,600 post-split) were ascribed a fair value of \$11 per Common Share on a post-split basis for a total value of \$666,600. This amount, net of the total price paid for the Common Shares (\$20), was recorded at June 30, 2015, as an increase in share capital of \$666,580.

On July 9, 2015, pursuant to an underwriting agreement, the Corporation issued 5,910,000 Common Shares pursuant to the IPO priced at \$11.00 per Common Share, resulting in gross proceeds of \$65.0 million. Immediately prior to closing of the IPO, the Corporation acquired approximately 69.75% of the outstanding units of NCOF II in exchange for 3,214,494 Common Shares valued at \$35.4 million.

At December 31, 2015, share capital was reduced for share issue costs, including underwriters' commissions and IPO expenses, totaling \$4.6 million, net of the estimated deferred tax impacts. As at December 31, 2015, total share capital was \$96.4 million (2014 - \$100).

The total number of Common Shares outstanding at December 31, 2015 was 9,488,094 (March 22, 2016 – 9,494,002).

Contributed Surplus

At December 31, 2015, Crown's contributed surplus included \$99,820 carried forward from prior years plus \$0.7 million, which is the amount of share-based compensation expense recorded in 2015 for Units and Options which had not vested as at December 31, 2015. The Units and Options issued in 2015 generally vest over a one to three year period. Upon vesting, an amount equal to the value of vested Units and Options settled through the issuance of Common Shares will be transferred from contributed surplus to share capital. Contributed surplus would be further reduced by the amount of any cash payments made to settle the vesting of Units or Options.

Cash Flows

The Corporation's cash and cash equivalents increased to \$43.6 million at December 31, 2015 from \$2.7 million at December 31, 2014. In the year ended December 31, 2015, the Corporation's cash balance was increased by, among other factors, the proceeds from the IPO, net of issue costs and related tax impacts, of \$59.3 million; proceeds from loan repayments and the sale of CRH Shares totaling \$27.4 million, funds contributed by the non-controlling interests in CCF IV LP of \$17.5 million; and total comprehensive income of \$4.0 million. During the same period, the Corporation's cash balance was reduced due to the closing of the Petrowest, Distinct and PenEquity transactions for a total of \$60.0 million and distributions paid to non-controlling interest totaling \$10.5 million.

Use of Proceeds

Crown received net proceeds of \$59.3 million from the IPO compared to expected proceeds of \$60.4 million. The following table compares the intended use of net proceeds with the actual expenditures as at December 31, 2015, by which time the proceeds from the IPO were partially expended.

	Estimated per Prospectus	Actual spending up to December 31, 2015	Future estimated spending ⁽¹⁾
Investment in CCF IV LP	\$ 30,000,000	\$ 17,500,000	\$ 27,500,000
Investments in Long-Term financing transactions	30,000,000	25,000,000	10,000,000
Working capital and administrative expenses	50,000	-	-
Shareholder loan repayments	350,000	350,000	-
Totals	\$ 60,400,000	\$ 42,850,000	\$ 37,500,000

Note:

(1) In addition to net IPO proceeds, Crown received distributions from NCOF II in 2015 of approximately \$16.8 million. These proceeds, or a portion thereof, will also be used to fund the future estimated spending shown above.

Although it is intended the remainder of the net proceeds from the IPO and partial proceeds from NCOF II distributions will be used as set out above based on the current knowledge and planning of Crown's management, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary and the use of proceeds may vary materially from that set forth above.

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 \$50.0 million to CCF IV LP as funds are called by CCF IV LP to fund new Special Situations Financing transactions. As of December 31, 2015, the Corporation had contributed capital to CCF IV LP totaling \$17.5 million. Crown has no other material off-balance sheet arrangements.

Transactions Between Related Parties

Pursuant to the limited partnership agreements, NCOF LP and NCOF II (Parallel) pay management fees to the Corporation for management services provided. During the three and twelve months ended December 31, 2015, management fees earned from these limited partnerships amounted to \$80,089 and \$0.5 million (2014 - \$0.2 million and \$1.0 million), less rebates of \$nil and \$42,211 (2014 - \$39,371 and \$0.2 million), respectively.

NCOF II and CCF IV LP also pay management fees to the Corporation for management services provided. Other than amounts paid by NCOF II prior to the Rollover Transaction, management fees paid to the Corporation by NCOF II and CCF IV LP are eliminated on consolidation. For the period in 2015 prior to the Rollover Transaction, NCOF II paid management fees to the Corporation of \$0.4 million less rebates of \$97,632 (three and twelve months ended December 31, 2014 - \$0.2 million and \$1.1 million, less rebates of \$52,192 and \$0.2 million, respectively).

Prior to the IPO, it had been Crown's practice to accrue annual management fee expenses and management fees payable to employees and shareholders as a means to reduce income before income taxes to a nominal amount. This practice has not continued since closing of the IPO.

Key management personnel are those persons having authority over the planning, directing and controlling activities of the Corporation, and include the Directors, President and Chief Executive Officer ("CEO"), Executive Vice President, CIO and CFO. Non-executive directors are paid a retainer of \$10,000 per fiscal quarter, except the Chairman who receives \$15,000 per fiscal quarter. Retainers are paid with a combination of cash and Common Shares or all in Common Shares at the director's discretion.

Key management personnel compensation for the years ended December 31, 2015 and 2014 was comprised of:

	<u>2015</u>	<u>2014</u>
Salaries, management fees and benefits	\$ 1,250,009	\$ 826,600
Share-based compensation	637,556	-
Performance allocation expense	234,251	-
	<u>\$ 2,121,816</u>	<u>\$ 826,600</u>

Critical Estimates and Accounting Policies

The preparation of the consolidated 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 consolidated financial statements for the years ended December 31, 2015 and December 31, 2014 are included in the following notes in those financial statements:

- Note 5 – Fair value measurement;
- Note 3 (h) – Share-based payment plans;
- Note 9 – Share-based compensation;
- Notes 3 (i) – Income tax; and
- Note 12 – Income taxes.

Future Accounting Pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. These are the changes that the Corporation reasonably expects may have an impact on its disclosures, financial position or performance when applied at a future date. The Corporation intends to adopt these standards when they become effective.

Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9"), will replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Corporation is currently evaluating the impact of IFRS 9 on its financial statements, if any.

Revenue

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), was issued by the IASB in May 2014, is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning January 1, 2018. The Corporation is currently evaluating the impact of IFRS 15 on its financial statements, if any.

Financial Instruments and Associated Risks

The Corporation’s financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and shareholder loans. The fair values of these financial instruments approximate carrying value due to the short term to maturity of the instruments.

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

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

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation’s Canadian equity securities include NCOF II’s interest in the Claude Shares and CCF IV LP’s interest in the Distinct Shares. The Corporation’s Canadian warrants include CCF IV LP’s interest in the Petrowest Warrants as well as NCOF II’s interest in the warrants of a privately-held Canadian company. Petrowest, Claude and Distinct are publicly-traded companies. The primary risk to the fair value through profit or loss of these equity securities is market risk.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation’s investments in debt securities. A portion of the debt instruments held by the Corporation are unrated and relatively illiquid. Repayments are dependent on the ability of the underlying businesses to generate sufficient cash flow from operations, refinancings or the sale of assets or equity. The terms of the individual debt instruments and the risks of the underlying businesses are reflected in the fair values at the reporting date.

The Corporation's Canadian debt securities include NCOF II's interest in the loans to CRH and Corrosion, CCF IV LP's loans to Petrowest and Distinct and CCPC LP's loan to PenEquity. The primary risk to the fair value through profit or loss of these debt securities is credit risk. These debt securities bear fixed interest rates so there is no interest rate risk.

The Corporation's investments at fair value through profit or loss are denominated in Canadian currency so there is no currency risk associated with the above investments.

Subsequent Events

On January 5, 2016, the Corporation declared a quarterly dividend of \$0.11 per Common Share with a record date of January 18, 2016 and a payment date of January 29, 2016. The total amount of the dividends paid was \$1.0 million. There have been no other material subsequent events between December 31, 2015 and the date of this MD&A.

Risk Factors

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

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

A further risk to the Corporation is credit risk related to decreases in the value of investments in which Crown has an ownership interest through its investments in the NCOF Funds.

The primary risk factor for NCOF II is credit risk, being the potential inability of one or both of the two remaining investee companies to meet their obligations to the NCOF Funds. In addition, at December 31, 2015, the NCOF Funds held Claude Shares which were valued at \$3.5 million at that date and warrants in a privately-held Canadian company valued at \$0.02 million. A reduction in the value of these Claude Shares or Petrowest Warrants would reduce the value of Crown's investments.

The primary risk factor for CCF IV LP is credit risk, being the potential inability of Petrowest or Distinct to meet their obligations to CCF IV LP. In addition, at December 31, 2015, CCF IV LP held Petrowest Warrants which were valued at \$1.1 million and Distinct Shares which were valued at \$0.8 million at December 31, 2015. A reduction in the value of these warrants or shares would reduce the value of Crown's Investments.

The primary risk factor for CCPC LP is credit risk, being the potential inability of PenEquity to meet its obligations to CCPC LP.

See Note 6 - Financial Risk Management in the Corporation's December 31, 2015 Consolidated Financial Statements.

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.

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 designed, or caused to be designed under their direct supervision, Crown’s DC&P to provide reasonable assurance that:

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

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

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 December 31, 2015. 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 and year ended on December 31, 2015 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 cash and cash equivalents including additional capital contributions to CCF IV LP;
- the investments of CCF IV LP in Special Situations Financing transactions and the potential structuring of such transactions;
- the Corporation's intentions for the use of cash and cash equivalents including additional capital contributions to CCPC LP;
- 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 future closings in relation thereto;
- the future capitalization of 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 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 (as defined herein) 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. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. Crown has not independently verified any of the data from government or other third party sources referred to in this MD&A or ascertained the underlying assumptions relied upon by such sources.

Additional Information

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

Consolidated Financial Statements

Years ended December 31, 2015 and 2014



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Crown Capital Partners Inc.

We have audited the accompanying consolidated financial statements of Crown Capital Partners Inc. which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Crown Capital Partners Inc. as at December 31, 2015 and December 31, 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Chartered Professional Accountants

March 22, 2016
Calgary, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Financial Position

As at December 31,

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 43,641,313	\$ 2,722,124
Accounts receivable	314,998	27,222
Prepaid expenses	69,692	17,920
	44,026,003	2,767,266
Investments, at fair value through profit or loss (Note 5)	84,367,280	-
Property, plant and equipment	11,189	6,287
Deferred income taxes (Note 12)	1,685,711	1,609
	\$ 130,090,183	\$ 2,775,162
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 898,926	\$ 2,570,784
Deferred interest revenue	1,751,042	-
Distributions payable to non-controlling interest	420,862	-
Income taxes payable	1,192,731	626
	4,263,561	2,571,410
Performance bonus payable (Note 7)	1,994,640	-
Shareholder loans (Note 1)	-	100,000
Non-controlling interests (Note 11)	24,571,005	-
Total Liabilities	30,829,206	2,671,410
Equity		
Share capital (Note 8)	96,386,398	100
Contributed surplus	836,434	99,820
Retained earnings	2,038,145	3,832
Total Equity	99,260,977	103,752
	\$ 130,090,183	\$ 2,775,162

Commitments (Note 14)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

signed _____ Chairman
George Fowlie

signed _____ Director
Chris Johnson

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Comprehensive Income

For the years ended December 31,

	2015	2014
Revenues		
Fees and other income (Note 10)	\$ 2,808,673	\$ 1,736,777
Interest revenue	2,511,715	-
Net gain on investments		
Net realized gain on sale of investments	71,386	-
Net change in unrealized gains in fair value of investments	2,817,311	-
	8,209,085	1,736,777
Expenses		
Salaries, management fees and benefits	1,601,010	1,383,324
Share-based compensation (Note 9)	736,614	-
Professional fees and other	1,005,198	348,101
Performance bonus pool expense	258,847	-
Depreciation	2,879	2,774
	3,604,548	1,734,199
Earnings before other income and income taxes	4,604,537	2,578
Gain on acquisition of NCOF II (Note 4)	469,625	-
Earnings before income taxes	5,074,162	2,578
Income taxes (Note 12)		
Current tax expense	1,192,476	600
Deferred tax	35,659	90
	1,228,135	690
Net income and comprehensive income	\$ 3,846,027	\$ 1,888
Net income and comprehensive income attributable to:		
Shareholders of the Corporation	\$ 2,034,313	\$ 1,888
Non-controlling interests (Note 11)	1,811,714	-
	\$ 3,846,027	\$ 1,888
Earnings per share attributable to shareholders:		
Basic	\$ 0.43	\$ 0.01
Diluted	\$ 0.42	\$ 0.01
Weighted average number of shares, basic	4,715,114	303,000
Weighted average number of shares, diluted	4,833,785	303,000

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Changes in Equity

For the years ended December 31,

	Share capital	Contributed surplus	Retained earnings	Total Equity
Balance as at December 31, 2013	\$ 100	\$ 99,820	\$ 1,944	\$ 101,864
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	1,888	1,888
Balance as at December 31, 2014	\$ 100	\$ 99,820	\$ 3,832	\$ 103,752
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	2,034,313	2,034,313
Issuance of common shares (Note 8):				
Acquisition of NCOF II (Note 4)	35,359,423	-	-	35,359,423
Issue of share capital	666,600			666,600
IPO share proceeds	65,010,000	-	-	65,010,000
Underwriters' commission and offering expenses	(6,369,486)	-	-	(6,369,486)
Tax effect on share issue costs	1,719,761	-	-	1,719,761
Share-based compensation (Note 9)	-	736,614	-	736,614
Balance as at December 31, 2015	\$ 96,386,398	\$ 836,434	\$ 2,038,145	\$ 99,260,977

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Cash Flows

For the years ended December 31,

	2015	2014
Cash provided by (used in) operating activities		
Net income and comprehensive income	\$ 3,846,027	\$ 1,888
Proceeds from repayment of debt securities	24,887,429	
Proceeds from sale of equity securities	3,168,564	
Purchase of investments	(60,000,000)	-
Non-cash items:		
Net realized gain on sale of investments	(71,386)	
Net change in unrealized gains in fair value of investments	(2,817,311)	
Gain on acquisition of NCOF II (Note 4)	(469,625)	
Depreciation	2,879	2,774
Deferred income tax	35,659	90
Share-based compensation	736,614	
Net change in non-cash working capital (Note 13)	5,155,187	1,442,694
	(25,525,963)	1,447,446
Cash provided by (used in) investing activities		
Purchase of property, plant & equipment	(7,781)	-
Acquisition of NCOF II, net of cash acquired (Note 4)	16,339	
	8,558	-
Cash provided by (used in) financing activities		
Non-controlling interests contributions to CCF IV LP	17,500,000	
Distributions paid by NCOF II to non-controlling interests	(10,527,016)	
Shareholder advances	250,000	
Repayment of shareholder advances (Note 1)	(350,000)	75,000
Issue of share capital net of cash issue costs of \$5,702,906 (Note 8)	59,307,114	-
Net change in non-cash working capital (Note 13)	256,496	-
	66,436,594	75,000
Increase in cash and cash equivalents	40,919,189	1,522,446
Cash and cash equivalents, beginning of year	2,722,124	1,199,678
Cash and cash equivalents, end of year	\$ 43,641,313	\$ 2,722,124
Supplemental cash flow information:		
Interest received	2,466,520	7,700
Income taxes paid	-	527

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

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 3rd Street, S.W., Calgary, Alberta. These consolidated financial statements as at and for the years ended December 31, 2015 and 2014 comprise the Corporation and its subsidiaries.

On July 27, 2015 Norrep Credit Opportunities Fund Inc., a wholly-owned subsidiary, changed its name to Crown Capital Fund III Management Inc. (“CCF III”). CCF III is the general partner of Norrep Credit Opportunities Fund, LP, Norrep Credit Opportunities Fund II, LP (“NCOF II”) and Norrep Credit Opportunities Fund II (Parallel), LP and manages these investment funds.

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

- (a) On July 9, 2015, pursuant to an underwriting agreement, the Corporation issued 5,910,000 common shares pursuant to the IPO priced at \$11.00 per share, resulting in gross proceeds of \$65,010,000 and net proceeds of \$59,307,094 after underwriters’ commission and cash offering expenses of \$5,702,906.
- (b) Immediately prior to the closing of the IPO, the Corporation acquired 69.75% of the outstanding limited partnership units of NCOF II in exchange for 3,214,494 common shares of the Corporation valued at \$35,359,423 (see Note 4).
- (c) Shareholder loans, in the amount of \$350,000, were repaid on July 13, 2015 from the IPO proceeds.

On September 4, 2015, Crown Capital Fund IV Management Inc. (“CCF IV”), a wholly-owned subsidiary, was incorporated. CCF IV is the general partner of Crown Capital Fund IV LP (“CCF IV LP”), which was formed on September 23, 2015. The Corporation, through its wholly-owned subsidiary Crown Capital Funding Corp (“CCFC”), committed to contribute capital of \$50,000,000 to CCF IV LP in exchange for a 50% limited partnership interest and to December 31, 2015 has contributed capital of \$17,500,000.

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, has contributed \$25,000,000 to December 31, 2015 for a 100% limited partnership interest in CCPC LP.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Corporation's Board of Directors on March 22, 2016.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the consolidated 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 consolidated financial statements are included in the following notes:

- (i) Note 5 – fair value measurement of investments;
- (ii) Notes 3 (h) and 9 – measurement of share-based compensation;
- (iii) Notes 3 (i) and 12 – recognition of deferred tax assets.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies:

(a) Basis of consolidation:

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

Subsidiaries are entities controlled by the Corporation. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Business combinations:

The Corporation accounts for business combinations using the acquisition method when control is transferred to the Corporation. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of consideration given over the fair value of net assets acquired is recognized as goodwill. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except to the extent related to the issuance of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of the acquisition. Liabilities to pay contingent consideration are remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(c) Non-controlling interests:

Non-controlling interests are measured at the proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition plus the non-controlling interests' share of net income and comprehensive income and contributions, less any distributions paid to the non-controlling interests.

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(d) Financial assets and liabilities:

(i) Recognition, derecognition and initial measurement

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

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

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

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amounts presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(ii) Classification

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

Financial assets at fair value through profit or loss:

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

Financial assets at amortized cost:

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

Financial liabilities at amortized cost:

- Other financial liabilities: accounts payable, distributions payable, performance bonus payable and shareholder loans

The Corporation designates all debt and equity investments at fair value through profit or loss on initial recognition.

(iii) Fair value measurement

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

(iv) Amortized cost measurement

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

(v) Impairment

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses, if any, are recognized in profit or loss.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(vi) Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Corporation in the management of short-term commitments.

(e) Revenue recognition:

(i) Interest revenue

The interest revenue represents the coupon interest and bonus interest, if applicable, received by the Corporation on investments in debt securities accounted for on an accrual basis and is recognized through profit or loss. The Corporation does not amortize premiums paid or discounts received on the purchase of fixed income securities.

(ii) Dividend income

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

(iii) Fees and other income

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

Investment management fees are generally earned based on the committed or contributed capital of the funds under management and are recognized on an accrual basis. Under certain circumstances the Corporation can voluntarily reduce the management fee base. These fees are shown net of management fee rebates payable to third parties.

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

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

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(f) Property, plant and equipment:

All classes of property, plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated using the following methods: computer equipment on a straight-line basis over three years; office furniture and equipment on a declining balance basis at 20 per cent annually.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(g) Employee benefits:

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plan

The Corporation contributes to a defined contribution pension plan for employees and expenses contributions when they are due in respect of service rendered to the end of the reporting period.

(iii) Other long-term employee benefits

The performance bonus payable represents the period end estimate of the amount of future benefit that employees have earned in return for their service in the current and prior periods. Remeasurements of the obligation are recognized in profit or loss in the period in which they arise.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(h) Share-based payment plans:

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

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

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

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

(i) Earnings per share:

Basic earnings per share is calculated by dividing the net income and comprehensive income or loss for the period attributable to the shareholders of the Corporation by the weighted average number of common shares outstanding for the period.

Diluted earnings per share is calculated in the same manner as basic earnings per share, except that the weighted average number of common shares outstanding is adjusted for dilutive instruments. The number of shares included with respect to stock options, share units and similar instruments is computed using the treasury stock method.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(i) Income tax:

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; or for taxable temporary differences arising on the recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Corporation and its subsidiaries. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

3. Significant accounting policies (continued):

(j) New standards and interpretations not yet adopted:

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

IFRS 9 Financial Instruments: The new standard, which is intended to replace IAS 39 Financial Instruments: Recognition and Measurement, enhances the ability of investors and other users to understand the accounting of financial assets and reduces complexity. The approach to classifying an asset as either amortized cost or fair value in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. IFRS 9 also introduces a new impairment model based on expected losses. IFRS 9 is effective January 1, 2018 with early adoption permitted. The Corporation has not yet determined the impact of IFRS 9 on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers: The standard provides guidance on revenue recognition and relevant disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 applies to annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has not yet assessed the impact of IFRS 15 on the consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

4. Business combination:

Immediately prior to the closing of the IPO on July 9, 2015, the Corporation acquired 69.75% of the outstanding limited partnership units of NCOF II in exchange for 3,214,494 common shares of the Corporation valued at \$35,359,423. The following summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

Assets

Cash	\$ 16,339
Accrued interest and accounts receivable	4,247,555
Investments at fair value through profit or loss	49,534,576
Total assets	53,798,470

Liabilities

Accounts payable and accrued expenses	26,460
Distributions payable	4,013,580
Total liabilities	4,040,040

Total identified net assets acquired	49,758,430
Less net assets attributable to the general partner	(1,735,793)

Net assets attributable to limited partners	\$ 48,022,637
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Consideration transferred	\$ 35,359,423
Less: distributions payable to the Corporation	(2,332,446)
Non-controlling interests (30.25%)	14,526,035
Gain	469,625

Total	\$ 48,022,637
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The net assets attributable to the general partner represent the performance fee distributions that had accrued to June 30, 2015.

If the acquisition of NCOF II had occurred at the start of the year, the Corporation's consolidated revenues for the year ended December 31, 2015 would have been \$16,658,856 and total consolidated net income and comprehensive income would have been \$12,457,632 of which \$8,621,249 would be attributable to the shareholders of the Corporation.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

5. Fair value measurement:

(a) Investments

As at	December 31, 2015	
	Cost	Fair Value
Canadian equity securities	\$ 1,684,344	\$ 4,630,017
Canadian debt securities	79,453,597	79,737,263
Total Investments	\$ 81,137,941	\$ 84,367,280

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

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

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

5. Fair value measurement (continued):

(a) Investments (continued)

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

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

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

The tables below analyze investments measured at fair value at 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.

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

5. Fair value measurement (continued):

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

The level 3 investments as at 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.

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:

December 31, 2015	
	Private Debt Securities
Beginning balance	\$ -
Acquired on acquisition of NCOF II (Note 4)	44,084,920
Purchases	59,084,308
Repayment	(24,887,427)
Unrealized gains	1,455,462
Total	\$ 79,737,263

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

5. Fair value measurement (continued):

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

The most significant input into the calculation of fair value of Level 3 debt investments is the discount rate applied to expected future cash flows. If the discount rate increased (decreased) by 100 bps, the fair value of Level 3 investments at December 31, 2015 would decrease by \$2,519,552 or increase by \$2,634,180 respectively.

(c) Canadian debt instruments

As at 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 April 5, 2018 to December 15, 2025.

(d) Financial instruments not measured at fair value

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

6. Financial risk management:

(a) Overview:

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

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

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

(b) Risk management framework:

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

6. Financial risk management (continued):

(b) Risk management framework (continued):

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

(c) Credit risk:

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

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

	December 31, 2015	December 31, 2014
Carrying amount		
Cash and cash equivalents	\$ 43,641,313	\$ 2,722,124
Accounts receivable	314,998	27,222
Investments in debt securities, at fair value through profit or loss	79,737,263	-
	<u>\$ 123,693,574</u>	<u>\$ 2,749,346</u>

Management fees receivable from managed investment funds are funded by cash flows from the underlying investments.

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

6. Financial risk management (continued):

(d) Liquidity risk:

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

The Corporation has current liabilities at December 31, 2015 of \$4,263,561 and current assets of \$44,026,003 (December 31, 2014 - \$2,571,410 and \$2,767,266), respectively.

The Corporation has long-term liabilities at December 31, 2015 of \$26,565,645, representing the performance bonus payable and non-controlling interests. Since these liabilities only become due as the related investment fund's assets are liquidated and proceeds received, there is no associated liquidity risk.

(e) Market risk:

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

(i) Currency risk:

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

(ii) Interest rate risk:

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

6. Financial risk management (continued):

(iii) Other price risk:

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

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

	% of Investments December 31, 2015
Industrial services	46.5%
Real estate asset management	29.8%
Healthcare	20.5%
Basic materials	3.2%
Total	100.0%

7. Performance bonus payable:

The Corporation has an asset performance bonus pool ("APBP") arrangement for certain individuals and entities, primarily employees and pre-IPO shareholders (the "APBP Participants"). For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund will accrue to the Corporation as performance fee distributions. Prior to the closing of the IPO, the Corporation committed to pay 100% of performance fee distributions earned to that date from NCOF II to the APBP Participants. In addition, the Corporation's current compensation policy provides that 50% of such performance fee distributions earned after the closing of the IPO will be distributed to the APBP Participants who are employees.

Accordingly, the performance fee distributions accrued in NCOF II at the date of acquisition, as described in Note 4, are recognized as performance bonus payable in the consolidated statement of financial position at December 31, 2015. The performance bonus payable at December 31, 2015 of \$1,994,640 also includes 50% of performance fee distributions accrued post-IPO.

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

8. Share capital:

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

On June 30, 2015, the Corporation split the issued common shares on a 3,030 for one basis. All share capital information presented in these consolidated financial statements reflects this share split.

	For the year ended December 31, 2015		For the year ended December 31, 2014	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	303,000	\$ 100	303,000	\$ 100
Issued to minority shareholders	60,600	666,600	-	-
Issued pursuant to the acquisition of NCOF II (Note 4)	3,214,494	35,359,423	-	-
Issued pursuant to the IPO, net of commission and offering expenses, net of deferred tax (Note 1)	5,910,000	60,360,275	-	-
Balance, end of year	9,488,094	\$ 96,386,398	303,000	\$ 100

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

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

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

9. Share-based compensation:

As at December 31, 2015, the Corporation had the following share-based compensation arrangements:

(a) Share units:

Upon completion of the IPO, the Corporation issued 181,818 Transition Restricted Share Units, 36,528 Performance Share Units and 29,168 Restricted Share Units (collectively “the Share Units”) to key management personnel, directors and employees. The Restricted Share Units vest on the third anniversary, provided the holder of the Share Units remains an employee or director, as the case may be, of the Corporation. The Performance Share Units, other than the 13,636 Performance Share Units issued to the Chief Financial Officer (“CFO”), vest when certain performance objectives are achieved and it is expected they will be fully vested by July 2017. The Performance Share Units issued to the CFO vest on July 9, 2016. The vesting terms of the Transition Restricted Share Units were revised on December 21, 2015. The Transition Restricted Share Units now vest in their entirety on July 9, 2018 instead of in equal tranches annually over a three-year period, provided the holder of the Share Units remains an employee of the Corporation. In the event the employee holding the Share Units is terminated without cause or resigns with good reason, as defined, the Transition Restricted Share Units vest immediately. All Share Units are settled by the issuance of one common share for each Share Unit vested.

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

The fair value of the Share Units granted is based on the closing price on the date of grant and is recognized over the vesting period. For the year ended December 31, 2015, the Corporation expensed \$589,248 as share-based compensation, related to these Share Units.

All of the Share Units issued remain outstanding as at December 31, 2015.

(b) Stock options:

Upon completion of the IPO, the Corporation issued 428,213 stock options (the “Options”) to key management personnel. On November 9, the Corporation issued an additional 63,636 Options to new employees. The Options vest over a three-year period and have a five-year term and an exercise price of \$11.00.

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

9. Share-based compensation (continued):

(c) Stock options (continued):

Risk free interest rate	1.0%
Dividend yield	4.0%
Expected volatility	25%
Expected life	5 years
Grant date price	\$8.04 - 10.10
Exercise price	\$11.00

The expense is recognized over the vesting period. The fair value of the options was calculated at \$0.52 - \$1.14 per option. For the year ended December 31, 2015, the Corporation expensed \$147,366 as share-based compensation, related to these Options.

All of the options issued remain outstanding as at December 31, 2015.

10. Related party transactions:

(a) Key management personnel compensation:

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

Directors are paid a retainer, of which at least 50% must be paid as Restricted Share Units and the balance can be received as either additional Restricted Share Units or cash at the Director's discretion. Restricted Share Units issued as part of the annual retainer vest immediately on issuance.

Key management personnel compensation for the years ended December 31, 2015 and 2014 is comprised of:

	2015	2014
Salaries, management fees and benefits	\$ 1,250,009	\$ 826,600
Share-based compensation	637,556	-
Performance bonus pool (note 7)	234,251	-
	<u>\$ 2,121,816</u>	<u>\$ 826,600</u>

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

10. Related party transactions (continued):

(b) Other related party transactions:

- (i) Pursuant to limited partnership agreements, Norrep Credit Opportunities Fund, LP and Norrep Credit Opportunities Fund II (Parallel), LP, (each a “Fund” and collectively “the Funds”), pay management fees to the Corporation for management services provided. During the year ended December 31, 2015, management fees earned from the Funds amounted to \$491,921 (2014 - \$1,035,961), less rebates of \$42,211 (2014 - \$198,239).

At December 31, 2015, accounts receivable includes \$119,445 due from the Funds (2014 - \$nil). Accounts payable and accrued liabilities included an amount payable to the Funds of \$293,274 (2014 - \$361,337).

- (ii) Pursuant to limited partnership agreements, NCOF II and CCF IV LP also pay management fees to the Corporation for management services provided. Other than amounts paid by NCOF II prior to the acquisition described in Note 1 (b) (the “Rollover Transaction”), management fees paid to the Corporation by NCOF II and CCF IV LP are eliminated on consolidation. For the period in 2015 prior to the Rollover Transaction, NCOF II paid management fees to the Corporation of \$389,563 less rebates of \$97,632 (2014 - \$1,093,596 less rebates of \$227,765).

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

11. Non-controlling interests:

Non-controlling interests in net income and comprehensive income of 30.25% in NCOF II amounted to \$880,566 for the year ended December 31, 2015 (2014 - \$nil). Non-controlling interest in net income and comprehensive income of 50% in CCF IV LP amounted to \$931,148 for the year ended December 31, 2015 (2014 - \$nil).

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

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

12. Income taxes:

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

The Corporation's consolidated effective rate for the year ended December 31, 2015 was 26.5%. The effective rate increased on the date of the IPO as the Corporation is now classified as a public corporation and not eligible for the small business deduction.

	2015	2014
Earnings before income tax	\$ 5,074,162	\$ 2,578
Statutory income tax rate	26.5%	26.5%
Income tax at statutory income tax rate	1,344,653	683
Non-deductible expenses and other	347	7
Non-deductible share compensation expense	195,203	-
Non-controlling interest share of income ¹	(480,104)	-
Non-taxable gain on acquisition of NCOF II	(124,451)	-
Tax rate changes	31,847	-
Tax difference on acquisition of NCOF II	260,640	-
Income tax	\$1,228,135	\$ 690

¹ Non-controlling interests in limited partnerships incur tax on their share of income in accordance with their particular tax circumstances.

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

	Balance January 1, 2014	Recognized in profit and loss	Recognized through equity	Balance December 31, 2014
Property, plant and equipment	\$ 808	\$ 27	\$ -	\$ 781
Other intangibles	891	63	-	828
	\$ 1,699	\$ 90	\$ -	\$ 1,609

CROWN CAPITAL PARTNERS INC.

Notes to the consolidated financial statements

As at and for the years ended December 31, 2015 and 2014

12. Income taxes (continued):

	Balance January 1, 2015	Recognized in profit and loss	Recognized through equity	Balance December 31, 2015
Property, plant and equipment	\$ 781	\$ 213	\$ -	\$ 994
Other intangibles	828	61	-	889
Financing costs	-	(194,627)	1,719,761	1,525,134
Loan cost base	-	90,100	-	90,100
Performance bonus	-	68,594	-	68,594
	<u>\$ 1,609</u>	<u>\$ (35,659)</u>	<u>\$ 1,719,761</u>	<u>\$ 1,685,711</u>

13. Net change in non-cash working capital:

	2015	2014
Accounts receivable	\$ 3,959,779	\$ (2,733)
Prepaid expenses	(51,772)	(3)
Accounts payable and accrued liabilities	(1,698,318)	1,455,846
Due to Crown Capital Partnership	-	(10,500)
Deferred revenue	1,751,042	-
Performance fee payable	258,847	-
Income tax payable	1,192,105	73
	<u>\$ 5,411,683</u>	<u>\$ 1,442,683</u>
Net change attributable to operating activities	5,155,187	1,442,683
Net change attributable to financing activities	256,496	-

14. Commitments:

The Corporation entered into a commitment to contribute capital of \$50,000,000 to CCF IV LP. Of this commitment, \$17,500,000 was contributed as of December 31, 2015.

CORPORATE DIRECTORY

DIRECTORS

George Fowlie, MBA
Chair of the Board

Sandra Cowan
Director

Robert Gillis, CPA, CA
Director

Christopher A. Johnson, CFA
Director

Glen Roane, MBA, ICD.D
Director

Alan Rowe, CPA, CA
Director

Peter Snucins
Director

OFFICERS

Christopher A. Johnson, CFA
President and
Chief Executive Officer

Lyle Bolen, FCPA, FCA
Chief Financial Officer

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

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

SENIOR MANAGEMENT

Brian Mellum, CFA
Senior Vice President, Energy

David Turnbull, MBA, CFA
Senior Vice President,
Business Development

Gordon Fernandes
Vice President,
Business Development

Jordan McMullen
Investment Manager

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

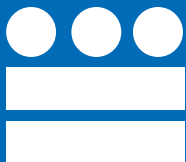
Craig Armitage
LodeRock Advisors Inc.
Tel: (416) 347-8954
craig.armitage@loderockadvisors.com

Normal Course Issuer Bid

Crown is conducting a normal course issuer bid to purchase common shares for cancellation in the open market at market price until the earlier of (i) Crown purchasing 620,000 common shares, (ii) Crown providing a notice of termination, or (iii) April 7, 2017. A copy of the Notice of Intention to Make a Normal Course Issuer Bid that Crown filed with the Toronto Stock Exchange may be obtained without charge by contacting Craig Armitage, Investor Relations.

For Review by U.S. Persons

U.S. persons are reminded that (i) certain representations were required of U.S. persons participating in the Corporation's initial public offering (the "**Required Representations**") and that the Required Representations are deemed to be continuing representations by said persons, (ii) the Offered Shares (as such term is defined in the Corporation's U.S. Private Placement Memorandum dated June 30, 2015 (the "**Private Placement Memorandum**")) are transferable by said initial U.S. purchasers only in accordance with the transfer restrictions described in the Investment Letter attached as Exhibit A to the Private Placement Memorandum, (iii) the Corporation shall have the right to refuse to honor any transfer in violation of such transfer restrictions, and (iv) the Corporation shall have the right to treat any purchase by a U.S. person who is determined not to be an Eligible U.S. Investor (as such term is defined in the Private Placement Memorandum) (or is determined to be a prohibited Retirement Plan (as such term is defined in the Private Placement Memorandum)) as null and void and to require such purchaser to sell its Offered Shares (and all interests therein) to a transferee designated by the Corporation.



Crown Capital Partners Inc.

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