Crown Capital Partners Inc.

2017 ANNUAL REPORT

Enabling entrepreneurs to achieve their business ambitions through intelligent lending solutions.

$660
million in loans to date

17
year track record

46
transactions

2017 Financial Highlights

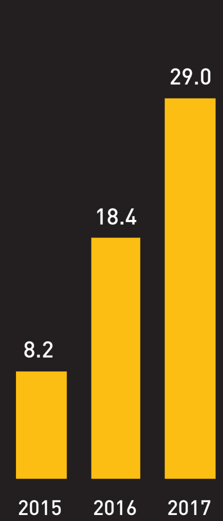
Our financial results for 2017 show strong top and bottom-line performance.

~$114
million of capital deployed

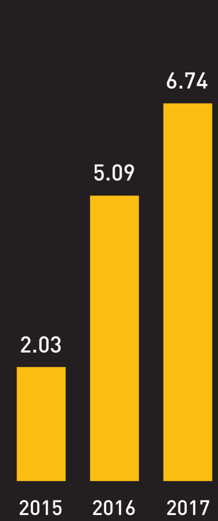
$100
million in CCF IV upsizings

4
repayments with strong IRRS

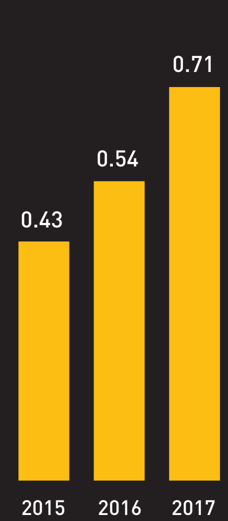
REVENUE ($MM)



NET INCOME ($MM)



INCOME PER SHARE ($)



Chairman's Letter

In 2017, the Crown team continued to build on the company's well-established track record, deploying additional capital in high-quality middle market companies to deliver robust gains in revenue and earnings.

In addition to the new investments made in 2017, the company had four loans repaid, all of which yielded strong returns. These transactions demonstrate the team's ability to find exceptional companies and structure transactions that support the capital needs of these companies while generating attractive returns for Crown. Not all deals go as expected, of course, and lenders are also judged by how they manage through difficulties. While Petrowest did not perform as planned, Crown's team did an effective job in navigating the challenges to preserve investor capital, underscoring the importance of highly diligent underwriting and portfolio management.

Over the past several years, I have seen an increasing need for intelligent capital focused on the middle market, which is creating opportunity for specialized lenders like Crown. I am confident the Crown team can capture this opportunity to build the investment portfolio and deliver increased shareholder value in the coming years.

I will be stepping down from the Board of Directors concurrent with the 2018 annual shareholder meeting. My time with Crown has been an incredibly rewarding period professionally and I've been fortunate to work with an excellent group of directors who will continue to guide and oversee Crown's expansion. We were very pleased to add Larry Pollack to the Board recently. Larry is a highly accomplished financial services executive with a deep understanding of the regulated financial services sector in Canada, including the lending business, and is a proven company-builder. Larry led Canadian Western Bank through a long period of growth, and his experience and insights will add tremendous value to Crown.

On behalf of the Board, I want to thank Chris and the team for their work this past year and thank our shareholders for their support and interest in Crown.

Sincerely,

George Fowlie

Letter to Shareholders

Fiscal 2017 was a successful year for Crown as we continued to execute on our plan to build and diversify the investment portfolio while also increasing our funding capacity.

We added six new companies to the portfolio in 2017 and ended the year with 11 loans. In total, Crown Capital Fund IV, an investment fund managed by Crown in which Crown holds an effective 36.5% interest, deployed $113.6 million in 2017.

Building a high-quality portfolio is critical to our success, and we're generally pleased with the performance and outlook of our portfolio of companies. I encourage you to review the MD&A for more detail, including recent performance highlights and risk ratings for each loan.

In addition to the new investments in 2017, we made important progress with the realization of our loans to Petrowest Corporation. We participated in the acquisition of Petrowest's Civil Division by RBee Aggregate Consulting, a newly established company owned by the RBee management and Crown Fund IV and a syndicate partner. RBee is a well-run business with a long history of profitability, and we believe we entered at an extremely attractive price. We now expect to recover, through Crown's ownership interest in and loan to RBee and from other cash proceeds on the sale of Petrowest's assets, the full amount of our outstanding loan to Petrowest in addition to all interest and certain fees receivable, which will enable us to generate a healthy return on this investment.

Another important highlight of 2017 was the completion of two $50 million closings for Crown Capital Fund IV, adding $100 million of new capital and bringing the current total committed to the Fund to $225 million. These upsizings further underscore the quality of our growing portfolio and the strong demand from for our investment strategies from institutional investors. Earlier this year, we established an initial issuer rating for Crown from DBRS Limited, which will allow us to begin accessing an additional level of capital from these investors to provide another avenue for growth.

Our financial results for the year show strong top and bottom-line performance. Total revenue rose 58% to $29.0 million; net income, net of non-controlling interests, increased to $6.7 million from $5.1 million in 2016; and Adjusted EBIT increased by 28% to $11.5 million. Total equity increased to $104.4 million, or $10.98 per basic share, compared with $10.67 per share at the end of 2016.

Our business has significant operating leverage, so as we scale and put more capital to work we expect to generate growing earrings and cash flow to fund an increasing dividend. Earlier this year, we declared a quarterly dividend of $0.15 per common share, which represented an increase of 15% percent over the previous quarterly dividend. Since the beginning of 2017, we have increased the dividend three times for a total increase of 36%.

The market backdrop continues to be very positive. Entrepreneurs need intelligent, non-dilutive capital alternatives, and Crown has an exceptional platform to serve their needs. In 2018, our focus is to further build a diversified portfolio of high-quality businesses, which will drive both short-term and longer-term revenue for Crown. We continue to see strong demand and a healthy transaction pipeline and, with the cash on our balance sheet, credit facility, and committed LP capital, we remain financially well positioned to pursue new transactions and build shareholder value.

Lastly, I would like to thank our shareholders for their ongoing support and interest in Crown.

Sincerely,

Chris Johnson

Management's Discussion and Analysis

for the three and twelve months ended December 31, 2017

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") of the consolidated operating and financial performance of Crown Capital Partners Inc. ("**Crown**" or the "**Corporation**") for the three and twelve months ended December 31, 2017 is prepared as of March 1, 2018. This discussion is the responsibility of management and should be read in conjunction with the Corporation's December 31, 2017 audited consolidated financial statements and the notes thereto, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and other public filings available on SEDAR at www.sedar.com. The board of directors of the Corporation has approved this MD&A. All amounts herein are expressed in Canadian dollars unless otherwise indicated. See "Forward-Looking Statements".

References

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

- "**Active**" – Active Exhaust Corp.
- "**Baylin**" – Baylin Technologies Inc.
- "**BGO**" – Bill Gosling Outsourcing Holding Corp.
- "**Canadian Helicopters**" – Canadian Helicopters Limited
- "**CCF III**" – Crown Capital Fund III Management Inc.
- "**CCF IV Investment LP**" – Crown Capital Fund IV Investment, LP
- "**CCF IV LP**" – Crown Capital Fund IV, LP
- "**CCFC**" – Crown Capital Funding Corporation
- "**CCPC LP**" – Crown Capital Private Credit Fund, LP
- "**Corrosion**" – Corrosion Service Company Limited
- "**CRH**" – CRH Medical Corporation
- "**Distinct**" – Distinct Infrastructure Group Inc.
- "**Ferus**" – Ferus Inc.
- "**Marquee**" – Marquee Energy Ltd.
- "**Medicure**" – Medicure Inc.
- "**NCOF II**" – Norrep Credit Opportunities Fund II, LP
- "**NCOF II Parallel**" – Norrep Credit Opportunities Fund II (Parallel), LP
- "**NCOF Funds**" – NCOF II and NCOF II Parallel, collectively
- "**NCOF LP**" – Norrep Credit Opportunities Fund, LP
- "**PenEquity**" – PenEquity Realty Corporation
- "**Petrowest**" – Petrowest Corporation
- "**RBee**" – RBee Aggregate Consulting Ltd.
- "**Solo**" – Solo Liquor Holdings Limited
- "**Source**" – Source Energy Services Canada
- "**Touchstone**" – Touchstone Exploration Inc.

Highlights of the Three Months Ended December 31, 2017

During the three months ended December 31, 2017:

- Crown earned net income and comprehensive income attributable to shareholders of the Corporation (“**Shareholders**”) of $2.1 million (2016 - $0.9 million);

- In relation to the receivership process for Petrowest, on November 3, 2017 the Court of Queen’s Bench of Alberta approved the acquisition of Petrowest’s Civil division by RBee, a newly established company in which a 50% equity interest is held by each of the management of RBee and a lending syndicate comprised of CCF IV LP (with an approximate 93% interest) and a syndicate partner (with an approximate 7% interest). Total consideration of $30.3 million, which remains subject to final closing adjustments, included the assumption of approximately $19.6 million (CCF IV LP interest – $18.2 million) of loans made by CCF IV LP and its syndicate partner as well as third-party bank debt. This transaction closed on November 9, 2017 with an effective date of November 1, 2017. As at December 31, 2017, the investment of CCF IV LP and its syndicate partner in RBee consisted of an interest-bearing, second-lien demand loan to RBee with outstanding principal of $19.6 million (CCF IV LP interest - $18.2 million) and a 50% equity interest with nominal fair value.

- On December 21, 2017, CCF IV LP provided a $7 million, 66-month loan to Active with an interest rate consistent with the range of interest rates on CCF IV’s existing loans plus a bonus feature based on the growth in Active’s enterprise value;

- On December 27, 2017, CCF IV LP provided an $8.0 million, 60-month loan to Canadian Helicopters with an interest rate of 10% per annum plus a bonus feature based on the growth in Canadian Helicopters’ enterprise value.

- During the three months ended December 31, 2017, Crown developed an expectation that CCF IV LP will recover, through its ownership interest in and loan to RBee and from other cash proceeds on the sale of Petrowest’s assets, the full amount of its outstanding loan to Petrowest in addition to all interest and certain fees receivable from Petrowest. Accordingly, in the three months ended December 31, 2017, the fair value of the Petrowest loan was raised to par value, resulting in a $1.0 million contribution to the total net change in unrealized appreciation in fair value of investments during the period, and $1.1 million and $0.2 million of interest revenue and fee income, respectively, were recognized during the period related to this investment.

Highlights of the Twelve Months Ended December 31, 2017

- For the year ended December 31, 2017, Crown earned net income and comprehensive income attributable to Shareholders of $6.7 million (2016 - $5.1 million);

- Crown paid quarterly dividends totaling $0.50 per common share (“**Common Share**”) in 2017, an increase of 14% compared with 2016, and announced two increases to the quarterly dividend per Common Share;

- On each of January 9, 2017 and July 13, 2017, CCF IV LP received subscriptions for an additional 50,000 limited partnership units ("**Units**") at $1,000 per unit, increasing the total committed capital of CCF IV LP from $125 million at December 31, 2016 to $225 million. In the January 9, 2017 subscription, Crown, through its wholly-owned subsidiary CCFC, subscribed for an additional 11,250 Units which increased its commitment to CCF IV LP from $50.0 million to $61.25 million and reduced Crown's interest in CCF IV LP from 40% to 35%, effective January 1, 2017. In the July 13, 2017 subscription, Crown, through CCFC, subscribed for an additional 17,500 Units, which maintained its 35% interest and increased its commitment to CCF IV LP to $78.8 million. Also on July 13, 2017, Crown, through CFCC, committed to invest up to $3.6 million for an interest of approximately 22.5% in CCF IV Investment LP, which has an interest in CCF IV LP of approximately 6.9%. Including its investment in CCF IV Investment LP, Crown held an effective interest in CCF IV LP of 36.5% effective July 1, 2017.

- Effective June 30, 2017, the NCOF Funds were dissolved following the repayment of their final remaining investment and the distribution of all remaining assets to limited partners. Crown was the manager of the NCOF Funds and through its 69.8% ownership interest in NCOF II it held an aggregate ownership interest in the NCOF Funds of 53.6%. The NCOF Funds generated a Gross IRR[1] of approximately 24% between their inception in 2012 and their dissolution on June 30, 2017. In connection with the completion of NCOF II Parallel, Crown recognized a $1.0 million performance fee distribution, of which $0.2 million was retained by Crown as manager with the balance of the fee payable to APBP Participants (as defined below).

Significant Investment Transactions in 2017

In addition to new investments announced in the three months ended December 31, 2017 as discussed above, notable investment activity in 2017 included the following transactions:

- On February 24, 2017, CCF IV LP provided a $15.0 million, 36-month loan to Solo with an interest rate of 12% plus a bonus feature based on the growth of Solo's enterprise value;

- On February 27, 2017, the NCOF Funds received full repayment of the $4.0 million loan to Corrosion, including prepayment fees and a bonus payment, and realized a Gross IRR of approximately 25% on the investment in Corrosion from the initial investment date of April 1, 2015;

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[1] *"Gross IRR" means the gross internal rate of return generated from an investment before consideration of management fees and expenses and is calculated based on an investment's realized amounts and unrealized amounts (cash distributions) and actual cash outflows made in respect of an investment, with timing based on when such distributions occurred or are likely to occur. It is then calculated by determining the annualized discount rate that will bring all cash outflows and distributions (realized and unrealized) to a net present value of zero. In management's view, Gross IRR provides the most accurate depiction of the cash flow yield profile of a loan or portfolio. Gross IRR is not a measure of financial performance (nor does it have a standardized meaning) under IFRS. In evaluating this measure, investors should consider that the methodology applied in calculating this measure might differ among companies and analysts.*

- On April 13, 2017, Source completed an initial public offering and settled the equity participation rights of CCF IV LP by issuing 116,059 Source common shares to CCF IV LP on May 29, 2017. On June 7, 2017, CCF IV LP received partial repayment of its $15.0 million loan to Source, including a principal repayment of $2.6 million plus a premium of $0.3 million (10.5%) that was recognized in income as a realized gain;

- On May 23, 2017, CCF IV LP announced an amendment to its $15.0 million term loan agreement with Petrowest, establishing an interest rate of 12% per annum and a 36-month term, and that it had provided a new $12.0 million bridge loan to Petrowest with an interest rate of 12% per annum and a maturity date of November 30, 2017. Upon closing, CCF IV LP syndicated $2.0 million of the bridge loan to one of its limited partners. In connection with these new and amended loans, 4.3 million Petrowest common share purchase warrants previously issued to CCF IV LP were canceled and CCF IV LP received 6.8 million Petrowest common shares at nominal cost;

- On May 26, 2017, CCF IV LP received the full repayment of the $20.0 million loan to Distinct in addition to prepayment fees. CCF IV LP subsequently disposed of its common shares of Distinct for net proceeds of approximately $1.4 million, resulting in a realized Gross IRR on the Distinct investment of approximately 20% from the initial investment date of November 25, 2015;

- On May 30, 2017, CCF IV LP provided a $30 million, 60-month loan to Marquee with an interest rate of 10% per annum plus 37.5 million common share purchase warrants of Marquee, exercisable at $0.11 per share;

- On June 26, 2017, the NCOF Funds received full repayment of the $22.5 million loan to CRH, plus prepayment fees and an additional interest payment, and realized a Gross IRR of approximately 43% on the investment in CRH from the initial investment date of December 2, 2014;

- On June 27, 2017, CCF IV LP provided a $25.0 million loan to Ferus with an interest rate consistent with the range of interest rates on CCF IV LP's existing loans plus a bonus feature consisting of nominal cost share purchase warrants.

Subsequent Events

Subsequent to December 31, 2017:

- On January 17, 2018, CCF IV LP provided a $33 million, 60-month loan to Baylin with an interest rate of 9.0% per annum. Upon closing, CCF IV LP syndicated $3.0 million of the Baylin loan to two of its limited partners. In addition, a total of 682,500 common share purchase warrants of Baylin were issued to CCF IV LP and its syndicate partners.

- On February 6, 2018, Crown announced a quarterly dividend of $0.15 per Common Share payable on March 2, 2018 to Shareholders of record on February 16, 2018. This dividend represents an increase of 15% compared with the previous quarterly dividend of $0.13 per share.

Overall Performance

Total assets increased to $229.1 million at December 31, 2017 from $182.4 million at December 31, 2016, including an increase in investments at fair value to $181.3 million from $159.0 million and an increase in cash and cash equivalents to $41.1 million from $19.3 million. The increase in total assets was primarily the result of an increase in contributed capital in CCF IV LP which was largely deployed into seven new investments with a total cost of $113.6 million and also included pre-funding of the Baylin investment that closed in January 2018, offset by aggregate proceeds of $93.3 million from the repayment of the Distinct and Medicure loans, the partial repayment of the Source and Petrowest loans, the sale of the Distinct shares, and the repayment of the final two loans outstanding in NCOF II. Total equity increased to $104.4 million at December 31, 2017 from $101.5 million at December 31, 2016.

Total revenues in the three and twelve months ended December 31, 2017 were $8.9 million and $29.0 million, respectively, compared to $5.4 million and $18.4 million in the three and twelve months ended December 31, 2016, respectively. Revenues were higher in the three and twelve months ended December 31, 2017 primarily due to increased lending activity of CCF IV LP. Interest revenue on investments held by NCOF II, CCF IV LP and CCPC LP increased to $5.5 million and $20.3 million in the three and twelve months ended December 31, 2017, respectively, compared to $3.6 million and $11.5 million in the three and twelve months ended December 31, 2016, respectively. Fees and other income for the three months ended December 31, 2017 were $1.9 million, consistent with $2.2 million for the comparable period in 2016, and were $5.6 million for the year ended December 31, 2017 compared to $3.8 million for the year ended December 31, 2016.

For the three and twelve months ended December 31, 2017, the net gain/(loss) on investments was $1.6 million and $2.0 million, respectively, compared to $(0.4) million and $3.1 million in the three and twelve months ended December 31, 2016, respectively. Notable contributors to the net gain on investments in the three months ended December 31, 2017 included an increase in the fair value of the Petrowest loan to par value to reflect Crown's expectation of a full recovery of loan principal through the receivership process and an increase in the fair value of the Source loan from par value, partially offset by decreases in the fair values of the Medicure and Marquee warrants and a decrease in the fair value of the Touchstone royalty. Additional contributors to the $2.0 million net gain on investments in the year ended December 31, 2017 included an increase in the fair value of the Source shares received by CCF IV LP, an increase in the fair value of the Medicure loan to par value prior to its repayment and a gain realized upon the partial repayment of the Source loan, partially offset by a decrease in the fair value of Petrowest shares to $nil.

Expenses in the three and twelve months ended December 31, 2017 were $1.9 million and $8.1 million, respectively, compared with $2.2 million and $6.2 million in the three and twelve months ended December 31, 2016, respectively. The increase in the year ended December 31, 2017 compared with the comparable period in 2016 relates primarily to higher performance bonus expense, including $0.8 million of performance bonus expense associated with the $1.0 million performance distribution fee recognized from NCOF II Parallel in that period, and finance costs related to a senior secured revolving credit facility (the "**Credit Facility**") that was established in December 2016. The decrease in the three-month period ended December 31, 2017 compared with the comparable period in 2016 relates primarily to a lower accrual for annual employee bonuses, partially offset by higher performance bonus expense and finance costs.

In the three and twelve months ended December 31, 2017, net income and comprehensive income attributable to Shareholders was $2.1 million and $6.7 million, respectively, compared with $0.9 million and $5.1 million in the three and twelve months ended December 31, 2016, respectively. Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the three months ended December 31, 2017 was higher due primarily to higher interest revenue resulting from a higher level of capital invested in interest-generating loans, a higher level of net gains on investments and higher management fees resulting from a higher level of contributed capital from non-controlling interests, partially offset by lower fee income resulting from a lower aggregate value of new investment and by higher finance costs and tax expense. The major factors influencing the variance in net income and comprehensive income attributable to Shareholders in the year ended December 31, 2017 compared to the prior year were higher interest revenue resulting from a higher level of capital invested in interest-generating loans, higher management fees resulting from a higher level of contributed capital from non-controlling interests and performance fees related to the dissolution of NCOF II Parallel, partially offset by a lower level of net gains on investments and by higher finance costs and taxes.

Crown consolidates 100% of its approximate 69.75% interest in NCOF II, its approximate 36.5% effective interest in CCF IV LP (50% prior to July 1, 2016, 40% between July 1, 2016 and December 31, 2016, and 35% between January 1, 2017 and June 30, 2017), and its 100% interest in CCPC LP and reflects the interests of other investors in these funds as non-controlling interests. The NCOF Funds were dissolved on June 30, 2017. Crown holds its interests in CCF IV LP and CCPC LP through CCFC, a 100%-owned subsidiary. Crown's 100%-owned subsidiary CCF III is the general partner and manager of NCOF LP. The financial results of the Corporation as at and for the three and twelve months ended December 31, 2017 discussed in this MD&A include the results of operations of CCFC, NCOF II (to date of dissolution), CCF IV LP, CCPC LP and CCF III for the three and twelve months ended December 31, 2017.

Business Overview

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

Crown's revenue sources include interest revenue, transaction fees and realized and unrealized gains on investments made by its consolidated investment funds - NCOF II (until its dissolution on June 30, 2017), CCF IV LP and CCPC LP - and management and performance fees as the fund manager of NCOF LP and NCOF II Parallel (until its dissolution on June 30, 2017).

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**").

Crown is also deploying its capital through its wholly-owned subsidiary, CCPC LP, to clients seeking non-dilutive, 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**").

Crown, which was founded by Crown Life Insurance Company and owned by it until 2002, completed an initial public offering ("**IPO**") in 2015 for gross proceeds of $65 million. The Common Shares began trading on the Toronto Stock Exchange on July 9, 2015 under the symbol TSX:CRN. This symbol was changed on March 3, 2017 to TSX:CRWN.

Portfolio at December 31, 2017

At December 31, 2017, Crown held ownership interests in eleven loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2016(1)	Loan Principal Amount Outstanding at December 31, 2017(1)	Attributable at December 31, 2017 to:		Status
			Shareholders	Non-controlling interests	
Special Situations Financing transactions					
CRH[2]	$22,500,000	Nil	Nil	Nil	Repaid
Corrosion[2]	$3,920,000	Nil	Nil	Nil	Repaid
Distinct	$20,000,000	Nil	Nil	Nil	Repaid
Medicure[3]	$30,000,000	Nil	Nil	Nil	Repaid
Petrowest[4]	$15,000,000	$6,826,905	$2,494,841	$4,332,064	Default
BGO	$15,000,000	$15,000,000	$5,481,636	$9,518,364	Current
Touchstone	$15,000,000	$15,000,000	$5,481,636	$9,518,364	Current
Source	$15,000,000	$12,428,000	$4,541,718	$7,886,282	Current
Solo	N/A	$15,000,000	$5,481,636	$9,518,364	Current
Marquee	N/A	$30,000,000	$10,963,272	$19,036,728	Current
Ferus	N/A	$25,000,000	$9,136,060	$15,863,940	Current
RBee	N/A	$18,173,095	$6,641,219	$11,531,876	Current
Active	N/A	$7,000,000	$2,558,097	$4,441,903	Current
Canadian Helicopters	N/A	$8,000,000	$2,923,539	$5,076,461	Current
Long-Term Financing transactions					
PenEquity	$25,000,000	$25,000,000	$25,000,000	Nil	Current

Notes: (1) Loan principal amounts represent the Corporation's interest in the par value of each loan. For all loans, only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's December 31, 2017 audited consolidated financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) The loans to CRH and Corrosion were made *pari passu* between NCOF II and NCOF II Parallel. NCOF II's interest in these investments was approximately 76.9%. (3) The total size of the Medicure loan was $60 million of which $30 million was syndicated to a third party. (4) In August 2017, Ernst & Young Inc. was appointed Receiver of Petrowest. A $12 million bridge loan to Petrowest, of which $2 million had been syndicated to a third party, and a $15 million term loan to Petrowest were consolidated during the three months ended December 31, 2017 into a single $27 million loan of which CCF IV LP holds an interest of approximately 92.6%. A portion of this consolidated Petrowest loan was converted into a loan to RBee as consideration for the acquisition of the assets of RBee from the Petrowest receivership.

In addition to the above loans, at December 31, 2017, CCF IV LP held ownership interests in 450,000 Medicure common share purchase warrants, 116,059 Source common shares, 37,500,000 Marquee common share purchase warrants, warrants to acquire common shares of Ferus at nominal cost, a 50% common equity stake in RBee with nominal fair value and a royalty agreement with a maturity date of October 31, 2021 entitling it to payment of 1% of Touchstone's gross revenue from production.

Loan Risk Rating

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

Financial	Business	Industry	Security	Marketability
Profitability • EBITDA ($) • EBITDA (%) • EBITDA Growth (%) • Gross Margin (%) • Return on Capital (%) **Leverage** • Debt/EBITDA • Debt/Capital • Debt/EV **Liquidity** • Current Ratio • DSCR (EBITDA/P+I) • EBITDA interest coverage • Average Days A/P • Average Days A/R • Cash Coverage **Size** • Sales ($) • Sales Growth (%) • Tangible Assets ($) • Enterprise Value ($)	**Management** • Experience in industry • Competence • Investment **Customers** • Concentration • Reputation/Financial Strength • Stability • Dependence **Operations** • Plant Quality • Process Flow • Scalability • Capacity **Employees** • Turnover • Relations • Wage Level • Pool of Labour **Suppliers** • Diversification • Pricing Power • Reliability **Shareholders** • Alignment of Interests • Financial Capability • Stability	**Competitors** **Business Cycle** **History of Profitability** **International Trade** **Regulatory Restrictions**	**% of Security Coverage** **Assets** • Condition • Obsolescence • Specialization **Dependence on Unsecured Creditors**	**Business** **Investment**

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

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

Portfolio Company Updates

The following tables set forth certain summary information in respect of loans held by Crown as at December 31, 2017. The information contained in the rows entitled "Business Description" and "Business Overview" has been developed from information provided by the applicable borrower. See "Forward-Looking Statements", "Market and Industry Data" and "Risk Factors".

Special Situations Financings

Petrowest Corporation

Investment Status:

On August 15, 2017, Ernst & Young Inc. was appointed receiver of Petrowest. On November 9, 2017, a $12 million bridge loan to Petrowest, of which $2 million had been syndicated to a third party, and a $15 million term loan to Petrowest were consolidated into a single $27 million loan of which CCF IV LP holds an interest of approximately 92.6%.

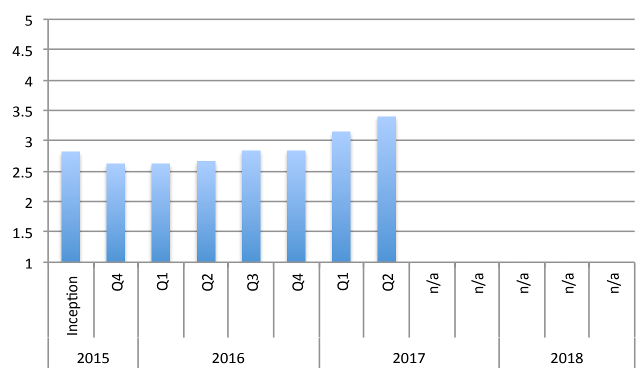
On November 9, 2017, approximately $19.6 million of the loan payable by Petrowest to CCF IV LP and its syndicate partner (CCF IV LP interest - $18.2 million) was assigned as consideration for the CCF IV LP syndicate's share of the cost of acquiring substantially all of the assets of RBee, at which point this amount became receivable as a demand loan from RBee. As at December 31, 2017, no other repayments of Petrowest loan principal had been received and the total amount owing by Petrowest to CCF IV LP and its syndicate partner included $7.4 million of loan principal (CCF IV LP interest - $6.8 million) in addition to accrued interest and fees.

During the three months ended December 31, 2017, Crown developed an expectation that CCF IV LP will recover, through its ownership interest in and loan to RBee and from other cash proceeds from the sale of Petrowest's assets through the receivership process, the full amount of its outstanding loan to Petrowest in addition to all interest and certain fees receivable from Petrowest. Accordingly, in the three months ended December 31, 2017, the fair value of the Petrowest loan was raised to par value, resulting in a $1.0 million contribution to the total change in unrealized appreciation in fair value of investments for the period, and $1.1 million and $0.2 million of interest revenue and fee income, respectively, were recognized during the period related to this investment.

On February 23, 2018, CCF IV LP and its syndicate partner received a partial repayment of $1.5 million from Petrowest (CCF IV LP interest - $1.4 million).

Industry:	Diversified
Capital Investment:	$6.8 million (original investment $25 million)
Investment Date:	September 29, 2015 and May 19, 2017 [2]
Terms:	N/A; repayment subject to the collection and allocation of receivership liquidation proceeds
Interest Rate:	14% (default rate)
Bonus / Participation:	7,703,614 common shares [3]

Loan Risk Rating [1]



Note 1: Crown's Loan Risk Rating methodology was not applicable to the Petrowest loan as at December 31, 2017 as it was in receivership.

Note 2: CCF IV LP's initial $15 million, 36-month term loan investment was made on September 29, 2015. On May 19, 2017, this loan was replaced with a new, $15 million, 36-month term loan and an additional $12 million, six-month bridge loan (CCF IV LP interest - $10 million) was extended by CCF IV LP and a syndicate partner, bringing CCF IV LP's aggregate investment in Petrowest at that date to $25 million.

Note 3: A $(1.1) million realized loss reflecting a write-off of the value of the Petrowest shares was recorded in the three months ended September 30, 2017.

Bill Gosling Outsourcing Holding Corp.

Business Description: Founded in 1955 and headquartered in Newmarket, Ontario, BGO is a privately-owned global provider of call center solutions to blue chip and emerging high-growth clients. It operates eight offices in Canada, the U.S., the U.K. and the Philippines and employs approximately 2,000 full time equivalents.

Business Overview: In November 2017, the Ontario Legislature passed Bill 148 instituting a minimum wage increase to $14 per hour on January 1, 2018 and to $15 per hour on January 1, 2019. The wage increases will impact the cost structure at BGO as it operates two large call centres in Ontario. BGO has been working to mitigate the impact and expects profitability will be restored to Q4 2017 levels by Q1 2019.

Industry: Business Process Outsourcing

Capital Investment: $15 million

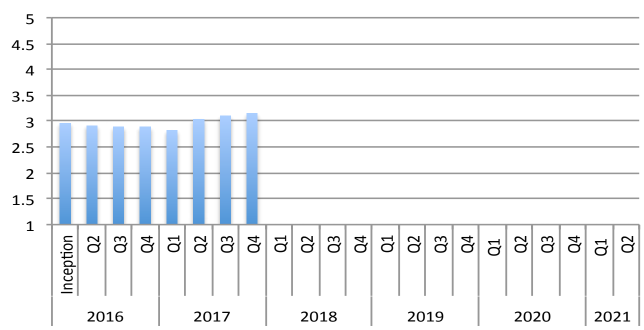
Investment Date: May 25, 2016

Term: 60 months

Interest Rate: Not disclosed

Bonus / Participation: Share of increase in enterprise value from date of loan to repayment

Loan Risk Rating



Touchstone Exploration Inc.

Business Description: Headquartered in Calgary, Alberta, Touchstone (TSX:TXP) is a publicly-traded company engaged in the exploration, development, and production of petroleum and natural gas. Touchstone's primary focus is onshore properties located in the Republic of Trinidad and Tobago including over 95,000 gross acres of exploration and development rights.

Business Overview: Touchstone reported net revenue of $5.7 million and EBITDA of $1.7 million for the three months ending September 30, 2017. On a trailing twelve-month basis ending September 30, 2017, Touchstone reported revenue of $20.7 million and EBITDA of $4.7 million. For the three months ended September 30, 2017, Touchstone reported average production of 1,437 bopd at a realized price of US$59.64 per barrel, an increase of 4% and a decrease of 31%, respectively, compared to the prior quarter.

Industry: Oil and Gas

Capital Investment: $15 million

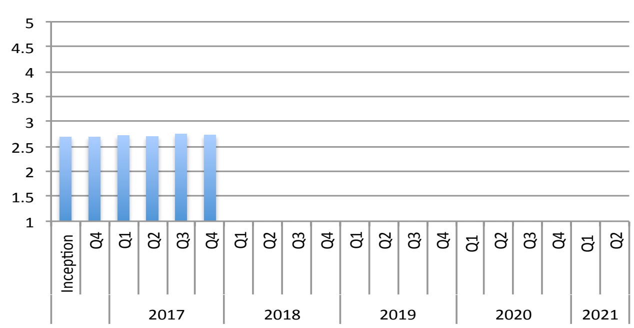
Investment Date: November 23, 2016

Term: 60 months

Interest Rate: 8%

Bonus / Participation: Royalty of 1% of gross revenue from production until October 31, 2021

Loan Risk Rating



Source Energy Services

Business Description: Headquartered in Calgary, Alberta, Source (TSX: SHLE) is the leading provider of frac sand to the Western Canadian Sedimentary Basin. Source is vertically integrated, owning a sand mine in Wisconsin, seven transload terminals in Canada, and two transload terminals in the United States. On April 13, 2017, Source completed an initial public offering, raising gross proceeds of $175 million.

Business Overview: Source reported revenue of $81.2 million and adjusted EBITDA of $14.3 million for the three months ending September 30, 2017. On a trailing twelve-month basis ending September 30, 2017, Source reported revenue of $260.4 million and adjusted EBITDA of $29.7 million. On November 7, 2017 Source announced that it completed the acquisition of the Northern White proppant mine in Blair, Wisconsin and two large frac sand terminals located in Chetwynd and Fort Nelson, British Columbia. The total consideration was US$80 million in cash and was funded through a combination of a $25.1 million public bought deal equity financing, a $65.0 million private placement equity financing and a draw on its credit facilities, resulting in reduced corporate leverage. On December 21, 2017 Source announced the opening of its Fox Creek Unit Train Terminal.

Industry: Energy Services

Capital Investment: $12.4 million of Senior Secured First Lien Notes (original investment $15 million)

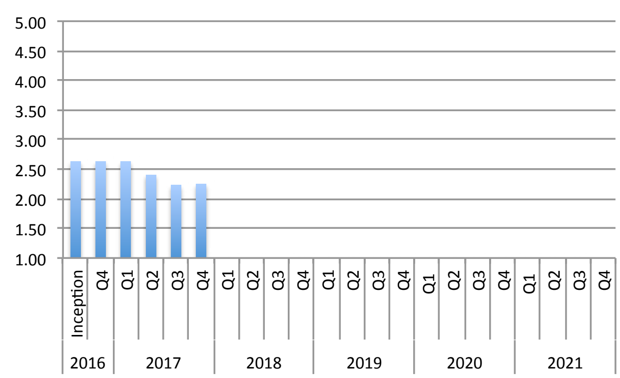
Investment Date: December 8, 2016

Term: 60 months

Interest Rate: 10.5%

Bonus / Participation: 116,059 common shares

Loan Risk Rating



Solo Liquor Holdings Limited

Business Description: Solo is a Calgary, Alberta-based, privately-owned company engaged in the retail sale of liquor. As at December 31, 2017, Solo had 62 retail liquor stores operating in Alberta with an additional 4 stores under construction.

Business Overview: Solo commenced operations in 1996 and has steadily built out its store network. It continues to grow and has plans to expand its store count to greater than 80 stores over the next two years. Solo has achieved commercial success by opening stores in high traffic areas, offering a wide range of products, operating with extended hours and maintaining every day low prices.

Industry: Retail

Capital Investment: $15 million

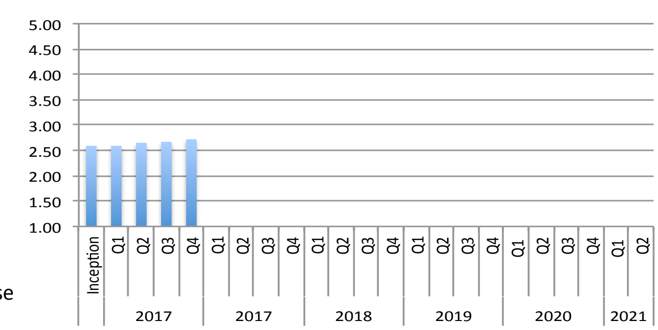
Investment Date: February 24, 2017

Term: 36 months

Interest Rate: Not disclosed

Bonus / Participation: Share of increase in enterprise value from date of loan to repayment

Loan Risk Rating



Marquee Energy Ltd.

Business Description: Headquartered in Calgary, Alberta, Marquee (TSXV:MQX) is a publicly traded company engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Marquee's core operation is located in Alberta's Michichi area, which contributes approximately 90% of corporate production.

Business Overview: Marquee reported net revenue of $6.8 million and EBITDA of $2.2 million for the three months ending September 30, 2017. On a trailing twelve-month basis ending September 30, 2017, Marquee reported net revenue of $30.6 million and EBITDA of $6.7 million. For the three months ended September 30, 2017, production averaged 2,791 boe/d, down from 3,024 boe/d in the prior quarter, consisting of approximately 44% of oil and liquids.

Industry: Oil and Gas

Capital Investment: $30 million

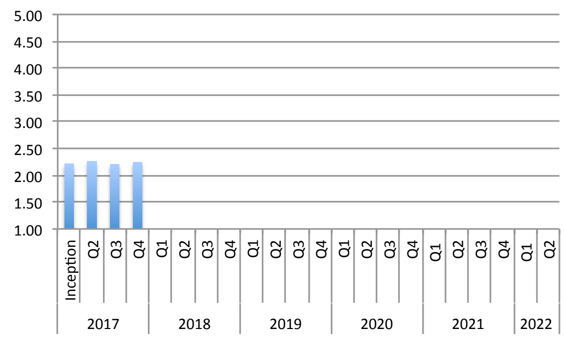
Investment Date: May 30, 2017

Term: 60 months

Interest Rate: 10%

Bonus / Participation: 37,500,000 common share purchase warrants

Loan Risk Rating



Ferus Inc.

Business Description: Headquartered in Calgary, Alberta, Ferus is the leading provider of industrial gases to the energy sector in the Western Canadian Sedimentary Basin with an approximate market share of 50% in the Montney resource play. As an integrated supplier of Nitrogen and Carbon Dioxide for the energized fracturing industry, Ferus owns and operates numerous production plants, tractor-trailer units, and fixed and portable storage units.

Business Overview: Energized hydraulic fracturing involves the use of cryogenic products (N2 and CO2) to increase energy content and reduce water use in well fracturing. The benefits of energized fracking include superior hydrocarbon recovery, reduced chemical and water requirements and decreased water disposal costs. Energized fracturing is primarily used in low-pressure reservoirs, low permeability reservoirs and areas where water availability and disposal are problematic. Ferus' logistics fleet, consisting of approximately 55 tractors and 80 bulk transport trailers, is designed to meet the demanding off-road requirements of the oil and gas industry.

Industry: Energy Services

Capital Investment: $25 million

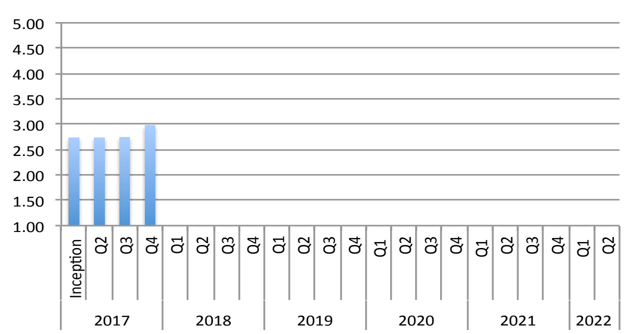
Investment Date: June 27, 2017

Term: 60 months

Interest Rate: Not disclosed

Bonus / Participation: Nominal cost share purchase warrants

Loan Risk Rating



RBee Aggregate Consulting Ltd.

Business Description: Headquartered in Gibbons, Alberta, RBee has one of the largest mobile crushing fleets in Western Canada, producing roughly 5 million tonnes of crushed aggregate per year. With over 35 years of experience, previously operating as RBee Crushing, RBee offers its expertise to municipal and provincial governments, independent gravel pit owners and both private and public companies. RBee is 50%-owned by each of the management of RBee and a lending syndicate comprised of CCF IV LP (approximate interest in RBee of 46.3%) and a syndicate partner (approximate interest in RBee of 3.7%).

Business Overview: On November 9, 2017, RBee acquired the assets of Petrowest's Civil division effective November 1, 2017 for total consideration of $30.3 million (subject to final closing adjustments), including the assumption of approximately $19.6 million (CCF IV LP interest - $18.2 million) of loans made by CCF IV LP and its syndicate partner with the balance funded by third-party bank debt. The assets acquired included a significant amount of redundant working capital and equipment that RBee intends to liquidate in 2018, which would enable the partial repayment of its debt outstanding to CCF IV LP and its syndicate partner.

Industry: Diversified

Capital Investment: $18.2 million

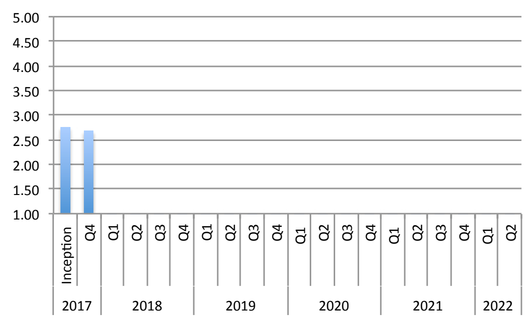
Investment Date: November 9, 2017

Term: Payable on demand

Interest Rate: Not disclosed

Bonus / Participation: 46.3% common equity interest

Loan Risk Rating



Active Exhaust Corp.

Business Description: Headquartered in Toronto, Ontario, Active is a manufacturer of complete exhaust systems and components for major global original equipment manufacturers ("OEMs") operating in the off-road equipment sector. Active has a 180,000 square foot manufacturing facility in Toronto as well as manufacturing operations in China and India through majority-owned joint ventures.

Business Overview: For over 50 years, Active has designed and manufactured industry leading exhaust systems, ranging from standard mufflers to custom engineered exhaust and emission solutions to meet environmental demands. Active sells its products to leading OEMs in four primary categories: agriculture, commercial turf care, construction, and ATV/utility vehicles. CCF IV LP advanced a $7 million term loan on December 21, 2017 to fund a minority shareholder buyout by the CEO and majority

Industry: Manufacturing

Capital Investment: $7 million

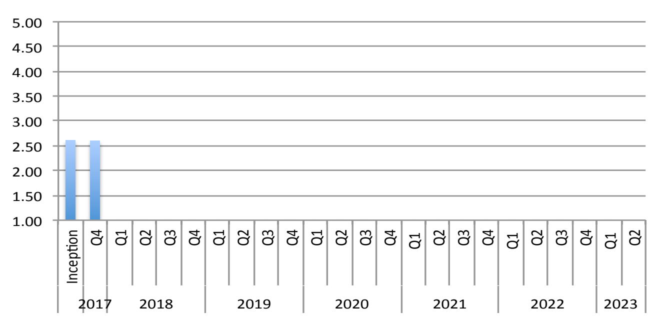
Investment Date: December 21, 2017

Term: 66 months

Interest Rate: Not disclosed

Bonus / Participation: Share of increase in enterprise value from date of loan to repayment

Loan Risk Rating



Canadian Helicopters Limited

Business Description: Headquartered in Montreal, Quebec, Canadian Helicopters is the largest helicopter transportation services company operating in Canada with a network of 25 strategically located bases capable of providing operations in every geographical region in Canada. Canadian Helicopters operates over 90 light, medium, and heavy lift helicopters and, in addition to charter services, provides flight training and helicopter repair & maintenance services.

Business Overview: Canadian Helicopters provides helicopter transportation services to a diverse array of clients including onshore and offshore oil and gas, military support, mineral exploration, hydro/utilities, forest management, construction, air ambulance, and search & rescue. CCF IV LP advanced an $8 million term loan on December 27, 2017 as partial funding of a management buyout led by the CEO of Canadian Helicopters.

Industry: Transportation

Capital Investment: $8 million

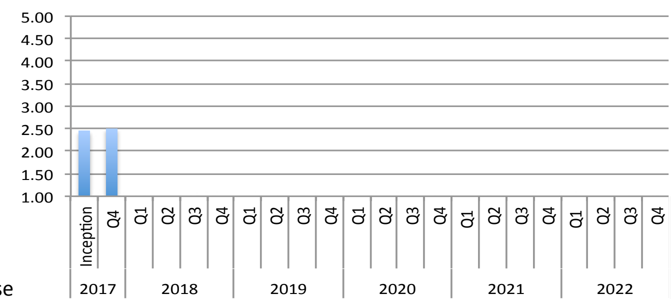
Investment Date: December 27, 2017

Term: 60 months

Interest Rate: Not disclosed

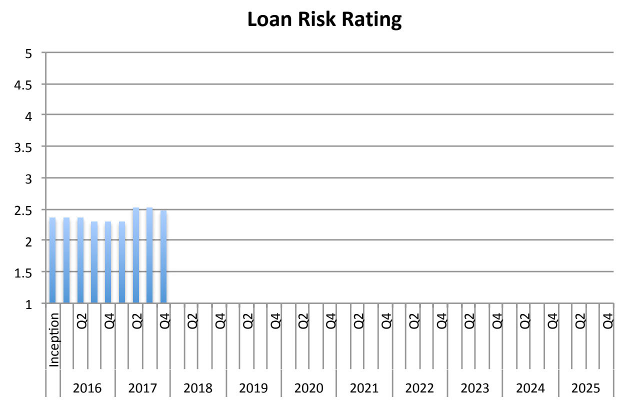
Bonus / Participation: Share of increase in enterprise value from date of loan to repayment

Loan Risk Rating



Long-Term Financing

PenEquity Realty Corporation	
Business Description:	Founded in 1984 and headquartered in Toronto, Ontario, PenEquity is a privately-owned property management and real estate development company, operating primarily in the retail sector with a focus on grocery-anchored retail plazas. Over the past three decades, PenEquity completed over 23 development projects. PenEquity has established strong relationships with partners and key tenants and has been successful in attracting large, high-quality, financially-stable tenants.
Business Overview:	PenEquity currently has a portfolio of six development projects in its pipeline, which are primarily grocery-anchored community retail plazas. Two of the projects are in Barrie, with the others in Stoney Creek, Brampton, London and Kanata. PenEquity expects to develop and realize on these projects over the next five years. The Barrie projects continue to progress towards final completion. Stoney Creek construction commenced in the second quarter of 2017 and London pre-construction leasing is underway.
Industry:	Real Estate Development
Capital Investment:	$25 million
Investment Date:	December 16, 2015
Term:	120 months
Interest Rate:	Not disclosed
Bonus / Participation:	None



All of the above loans, except the Touchstone, Petrowest and RBee loans, are payable by way of a single payment due at the end of the term. Principal payments on the Touchstone loan commence on January 1, 2019 in the amount of $810,000 per quarter. The timing and extent of principal repayments related to the Petrowest loan will depend upon the timing and extent of proceeds received in the receivership process from the liquidation of its net assets, which were uncertain as at December 31, 2017. The RBee loan is payable upon demand.

Outlook

Management continues to place a high priority on new originations of both Special Situations Financing and Long-Term Financing transactions. With respect to new loan origination, following a slow third quarter, deal activity increased in the fourth quarter and has remained healthy in 2018. Market conditions for deploying capital in Crown's market segment are currently favorable 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 capital in new originations, it expects to generate growing cash flow and build long-term value for Shareholders.

Due to a number of repayments in 2017, Crown has carried more cash than expected and has not yet drawn on its Credit Facility. Crown now intends to deploy the vast majority of its cash and cash equivalents and to draw from its existing Credit Facility to fund investment in additional Special Situations Financing and Long-Term Financing transactions by mid-2018. This is expected to result in increased revenues from interest and fees and other income. As additional capital calls are made on the limited partners of CCF IV LP to fund Special Situations Financings, it is expected the Corporation's cash and cash equivalents will be further reduced and investments, total assets and non-controlling interests will increase. Completion of additional Long-Term Financing transactions is expected to reduce cash and cash equivalents and increase investments.

Considering the Corporation's working capital, the $27.0 million of committed capital available to CCF IV LP from parties other than Crown, and the Credit Facility, at December 31, 2017, the Corporation had access to up to approximately $88.9 million for additional portfolio 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, 2017. Crown's financial position as at December 31, 2017 and December 31, 2016 and its financial results for the years then ended are not comparable to the prior year due to the IPO, the acquisition of approximately 69.75% of the outstanding Units of NCOF II immediately prior to closing of the IPO in exchange for Common Shares of Crown valued at $35.4 million, and the establishment of CCF IV LP and CCPC LP.

Selected Annual Information (In $000s except per share amounts and number of shares)	Years Ended December 31 2017	2016	2015
Revenue:			
Fees and other income	$ 5,634	$ 3,754	$ 2,809
Interest revenue	20,311	11,510	2,512
Performance fee distributions	1,044		
Net realized gain on sale of investments	3,344	1,741	71
Net change in unrealized gains in fair value of investments	(1,325)	1,361	2,817
Total Revenue	$ 29,008	$ 18,366	$ 8,209
Total comprehensive income, net of non-controlling interests	$ 6,735	$ 5,097	$ 2,034
Weighted average shares outstanding - basic	9,524,972	9,504,362	4,715,114
Total comprehensive income per share - basic[1]	$ 0.71	$ 0.54	$ 0.43
Weighted average shares outstanding - diluted	9,825,532	9,674,272	4,833,785
Total comprehensive income per share - diluted[1]	$ 0.69	$ 0.53	$ 0.42
Adjusted EBIT[2]	$ 11,468	$ 8,976	$ 3,999
Investments, at fair value through profit or loss	$ 181,302	$ 158,951	$ 84,367
Total assets	$ 229,050	$ 182,375	$ 130,090
Total non-current liabilities	$ 120,075	$ 76,821	$ 26,566
Total equity	$ 104,449	$ 101,519	$ 99,261
Cash dividends declared per Common Share	$ 0.50	$ 0.44	$ -
Common Shares outstanding at December 31	9,510,017	9,514,759	9,488,094
Total equity per share - basic	$ 10.98	$ 10.67	$ 10.46

Note 1. Total comprehensive income per/share, basic and diluted, are based on the weighted average shares outstanding.

Note 2. The Corporation believes Adjusted EBIT is a useful supplemental measure that may assist investors in assessing the financial performance of the Corporation and the cash anticipated to be generated by Crown's business. Adjusted EBIT is not a measure of financial performance (nor does it have a standardized meaning) under IFRS. In evaluating this measure, investors should consider that the methodology applied in calculating this measure may differ among companies and analysts. See "Adjusted EBIT" for a reconciliation from earnings before income taxes.

Quarterly Results Summary

The following table provides selected quarterly information about the Corporation's financial condition and performance for the period from January 1, 2016 to December 31, 2017.

Quarterly Results Summary	Three Months Ended							
(In $000s except per share amounts and number of shares)	December 31 2017	September 30 2017	June 30 2017	March 31 2017	December 31 2016	September 30 2016	June 30 2016	March 31 2016
Revenue:								
Fees and other income	$ 1,888	$ 141	$ 3,080	$ 525	$ 2,225	$ 160	$ 814	$ 555
Interest revenue	5,487	4,816	5,623	4,385	3,589	2,968	2,568	2,386
Performance fee distributions	-	-	1,044	-	-	-	-	-
Net realized gain on sale of investments	1,144	(1,086)	2,733	553	-	-	-	1,741
Net change in unrealized gains in fair value of investments	417	1,731	(4,765)	1,292	(397)	(255)	1,603	410
Total revenue	$ 8,936	$ 5,602	$ 7,715	$ 6,755	$ 5,417	$ 2,873	$ 4,985	$ 5,092
Total comprehensive income, net of non-controlling interests	$ 2,112	$ 1,113	$ 1,767	$ 1,743	$ 877	$ 833	$ 1,749	$ 1,639
Weighted average shares outstanding - basic	9,520,611	9,538,188	9,519,598	9,521,354	9,504,362	9,514,921	9,492,045	9,493,353
Total comprehensive income per share - basic	$ 0.22	$ 0.12	$ 0.19	$ 0.18	$ 0.09	$ 0.09	$ 0.18	$ 0.17
Weighted average shares outstanding - diluted	9,837,088	9,848,924	9,853,463	9,839,188	9,674,272	9,803,951	9,744,369	9,745,986
Total comprehensive income per share - diluted	$ 0.21	$ 0.11	$ 0.18	$ 0.18	$ 0.09	$ 0.08	$ 0.18	$ 0.17
Investments, at fair value through profit or loss	$ 181,302	$ 194,742	$ 194,096	$ 172,180	$ 158,951	$ 99,410	$ 99,414	$ 82,812
Total assets	$ 229,050	$ 216,284	$ 222,445	$ 198,964	$ 182,375	$ 151,569	$ 138,226	$ 131,819
Total equity	$ 104,449	$ 103,492	$ 103,376	$ 102,412	$ 101,519	$ 101,345	$ 101,368	$ 100,230
Shares outstanding at the end of the period	9,510,017	9,540,575	9,517,432	9,523,590	9,514,759	9,519,071	9,495,210	9,494,002
Total equity per share - basic	$ 10.98	$ 10.85	$ 10.86	$ 10.75	$ 10.67	$ 10.65	$ 10.68	$ 10.56

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

Discussion of Operations

Revenues

Revenues of $8.9 million and $29.0 million were recognized in the three and twelve months ended December 31, 2017, respectively (2016 – $5.4 million and $18.4 million, respectively). Revenues for the three months ended December 31, 2017 were higher than the same period in the prior year due to higher interest revenue earned by CCF IV LP resulting from a higher level of investment and a higher level of net investment gains, partially offset by a reduced level of fee income. Revenues were higher in 2017 primarily due to higher interest and fee income resulting from higher levels of investment and transaction activity, respectively, in CCF IV, partially offset by a reduced level of net investment gains. Also contributing to revenues in the year ended December 31, 2017 was a $1.0 million performance fee distribution earned in connection with the dissolution of NCOF II Parallel (2016 - $nil), of which $0.8 million was attributable to APBP Participants (as defined below) and was included in performance bonus expense for the period.

<u>Fees and Other Income</u>

Fees and other income in the three and twelve months ended December 31, 2017 were $1.9 million and $5.6 million, respectively (2016 - $2.2 million and $3.8 million, respectively). The following table provides an overview of the total fees and other income attributable to Shareholders and non-controlling interests.

Fees and Other Income	Three Months Ended December 31,		Year Ended December 31,		Attributable to:					
					Shareholders			Non-controlling interests		
(In $000s)	2017	2016	2017	2016	Three Months 2017	Twelve Months 2017		Three Months 2017	Twelve Months 2017	
Special Situations Financing:										
Transaction fees - Crown[1]	$ 150	$ 1,197	$ 962	$ 1,310	$ 150	$ 962	100.00%	$ -	$ -	0.00%
Transaction fees for new loans - CCF IV LP[1]	150	900	1,825	1,013	55	641	Note 3	95	1,184	Note 3
Other transaction fees - CCF IV LP[1]	1,400	-	2,000	-	512	722	Note 3	888	1,278	Note 3
Other income - CCF IV LP	80	-	274	650	29	98	Note 3	51	176	Note 3
Other income - NCOF II	-	-	175	173	-	122	69.75%	-	53	30.25%
Subtotal	1,780	2,097	5,236	3,146	746	2,545		1,034	2,691	
Interest earned on cash and cash equivalents	76	54	182	313	76	182	100.00%	-	-	0.00%
Management fee revenue[2]	32	74	216	295	32	216	100.00%	-	-	0.00%
Total fees and other income	$ 1,888	$ 2,225	$ 5,634	$ 3,754	$ 854	$ 2,943		$ 1,034	$ 2,691	

1. Transaction fees earned by Crown on new loans completed by CCF IV LP in the three and twelve months ended December 31, 2017 were $300 and $2,787, respectively, of which $150 and $962, respectively, are attributable to Shareholders as a management fee and $55 and $641, respectively, are attributable to Shareholders as a result of Crown's interest in CCF IV LP.

2. Management fee revenue is net of fees charged to NCOF II and CCF IV LP, which are eliminated on consolidation. Management fees charged to NCOF II and CCF IV LP in the three and twelve months ended December 31, 2017 were $540 and $2,227 (December 31, 2016 - $356 and $1,064), respectively. For the three and twelve months ended December 31, 2017, management fees charged on the portion of contributed capital from non-controlling interests were $343 and $1,364 (December 31, 2016 - $187 and $506), respectively.

3. The Corporation's interest in CCF IV LP increased from 35% to 36.5% effective July 1, 2017.

The Corporation may receive transaction fees when loans are initially made, when loans are repaid prior to maturity and in other instances, for example, for providing amendments, waivers, consents or forbearance agreements. For the three and twelve months ended December 31 2017, transaction fees and other income totaled $1.8 million and $5.2 million, respectively (2016 - $2.1 million and $3.1 million, respectively). Transaction fees and other income were higher in the year ended December 31, 2017 due to the completion of a higher number of fee-generating transactions, including six loan originations, three early loan repayments, and one loan amendment.

The Corporation earns investment management fees pursuant to management agreements. The base annual management fees are generally equal to 1.75% of invested 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 approximately 63.5% (50% prior to July 1, 2016, 60% from July 1, 2016 to December 31, 2016, 65% from January 1, 2017 to June 30, 2017), respectively, of the management fees while Crown effectively pays itself for the other 69.75% and approximately 36.5%, respectively, as a result of its ownership interests. (See also Related Party Transactions)

Management fees of $32,375 and $0.2 million were recognized in the three and twelve months ended December 31, 2017, respectively (2016 - $0.1 million and $0.3 million, respectively) from NCOF LP and NCOF II Parallel. The elimination of management fees from NCOF II Parallel subsequent to its dissolution was responsible for the decline in total management fees in the three months ended December 31, 2017 compared with the prior year.

Interest on cash and cash equivalents includes interest earned from savings accounts and such investments as short-term investment certificates, and includes interest earned from share purchase loans. These amounts are included in fees and other income. For the three and twelve months ended December 31, 2017, interest earned on cash and cash equivalents totaled $0.1 million and $0.2 million, respectively (2016 - $0.1 million and $0.3 million, respectively). Of this interest, 100% is attributable to Shareholders. Interest on cash and cash equivalents decreased in the three and twelve months ended December 31, 2017 due to lower average levels of cash and cash equivalents.

Interest Revenue

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

Interest Revenue	Three Months Ended December 31,		Twelve Months Ended December 31,		Attributable to:					
					Shareholders			Non-controlling interests		
(In $000s)	2017	2016	2017	2016	Three Months 2017	Twelve Months 2017		Three Months 2017	Twelve Months 2017	
Special Situations Financings										
NCOF II	$ -	$ 614	$ 1,660	$ 2,444	$ -	$ 1,158	69.75%	$ -	$ 502	30.25%
CCF IV LP	4,605	2,095	15,151	5,566	1,683	5,435	Note 1	2,922	9,716	Note 1
Long-term Financings										
CCPC LP	882	880	3,500	3,500	882	3,500	100.00%	-	-	0.00%
Total interest revenue	$ 5,487	$ 3,589	$ 20,311	$ 11,510	$ 2,565	$ 10,093		$ 2,922	$ 10,218	
1. The Corporation's interest in CCF IV LP increased from 35% to 36.5% effective July 1, 2017.										

Interest revenue in the three and twelve months ended December 31, 2017 was $5.5 million and $20.3 million, respectively (2016 - $3.6 million and $11.5 million, respectively). Interest revenue increased in the three and twelve months ended December 31, 2017 due to interest earned on additional investments made by CCF IV LP, partially offset by lower interest earned from NCOF II resulting from the repayment of investments.

Net Gain on Investments

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

Net Gain / (Loss) on Investments	Three Months Ended December 31,		Twelve Months Ended December 31,		Attributable to:					
					Shareholders			Non-controlling interests		
(In $000s)	2017	2016	2017	2016	Three Months 2017	Twelve Months 2017		Three Months 2017	Twelve Months 2017	
Special Situations Financings										
NCOF II - realized gain	$ -	$ -	$ 1,876	$ 1,741	$ -	$ 1,309	69.75%	$ -	$ 567	30.25%
CCF IV LP - realized gain	1,144	-	1,468	-	418	515	Note 2	726	953	Note 2
sub-total - realized gains	1,144	-	3,344	1,741	418	1,824		726	1,520	
NCOF II - unrealized gain / (loss)[1]	-	(32)	(1,988)	276	-	(1,387)	69.75%	-	(601)	30.25%
CCF IV LP - unrealized gain[1]	521	819	801	1,088	190	321	Note 2	331	480	Note 2
Long-term Financings										
CCPC LP - unrealized gain / (loss)	(104)	(1,184)	(138)	(3)	(104)	(138)	100.00%	-	-	0.00%
sub-total - unrealized gains / (losses)	417	(397)	(1,325)	1,361	86	(1,204)		331	(121)	
Total net gain / (loss) on investments	$ 1,561	$ (397)	$ 2,019	$ 3,102	$ 504	$ 620		$ 1,057	$ 1,399	
1. Three months and twelve months ended December 31, 2017 include the reversal of previously-recognized unrealized gains of $1,144 and $4,419 respectively. Twelve months ended December 31, 2016 includes the reversal of a previously-recognized gain of $384.										
2. The Corporation's interest in CCF IV LP increased from 35% to 36.5% effective July 1, 2017.										

The Corporation's net gain/(loss) on investments in the three and twelve months ended December 31, 2017 totaled $1.6 million and $2.0 million, respectively (2016 – $(0.4) million and $3.1 million, respectively). For the three and twelve months ended December 31, 2017, $0.5 million and $0.6 million, respectively, were attributable to Shareholders and $1.1 million and $1.4 million, respectively, to non-controlling interests.

In the three months ended December 31, 2017, a realized gain of $1.1 million (2016 - $nil) was recognized upon repayment of the Medicure loan. Net realized gains in the twelve months ended December 31, 2017 of $3.3 million (2016 - $1.7 million) also included the recognition of gains upon the repayment of the Corrosion, CRH and Distinct loans, the partial repayment of the Source loan and the disposition of the Distinct shares, partially offset by a decrease in the value of Petrowest shares to $nil.

The net change in unrealized gains in fair value of investments for the three months ended December 31, 2017 was $0.4 million (2016 - $(0.4) million), of which the most significant contributors were an increase in the fair value of the Petrowest loan to par value to reflect Crown's expectation of a full recovery of loan principal through the receivership process, decreases in the fair values of the Medicure and Marquee warrants, an increase in the fair value of the Source loan from par value, and a decrease in the fair value of the Touchstone royalty. Also included was $(1.1) million related to the reversal of a previously-recognized unrealized gain in connection with the recognition of a realized gain upon the repayment of the Medicure loan.

Included in the $(1.3) million net change in unrealized gains in fair value of investments for the twelve months ended December 31, 2017 (2016 - $1.4 million) was $(4.4) million related to the reversal of previously-recognized unrealized gains in connection with the recognition of realized gains upon the repayment or disposition of investments. In addition to this and other above-noted items, other notable contributors to the net change in unrealized gains in fair value of investments for the twelve months ended December 31, 2017 included a gain on the Source common shares received by CCF IV LP and an increase in the fair value of the Medicure loan prior to its repayment.

Expenses

Expenses in the three and twelve months ended December 31, 2017 totaled $1.9 million and $8.1 million, respectively (2016 - $2.2 million and $6.2 million, respectively). Operating costs are mostly fixed with the largest cost being employee compensation, including share-based compensation, amounts accrued for annual employee bonuses and accruals for performance bonus expense.

Salaries, management fees and benefits

Salaries, management fees and benefits expense totaled $0.7 million and $2.4 million, respectively, in the three and twelve months ended December 31, 2017 (2016 - $1.1 million and $2.3 million, respectively). The decrease in salaries, management fees and benefits expenses in the three months ended December 31, 2017 compared to the same period in 2016 was due primarily to a lower accrual for annual employee bonuses. For the year ended December 31, 2017, the level of salaries, management fees and benefits was comparable with the prior year expense, with the full-year accrual for annual employee bonuses also comparable to the prior-year level.

Share-based Compensation

Share-based compensation expense is recognized over the expected vesting period of each award. Share-based compensation totaled $0.4 million and $1.7 million, respectively, in the three and twelve months ended December 31, 2017 (2016 - $0.4 million and $1.7 million, respectively), similar to the amounts expensed in the same periods in the prior year.

General and Administration

General and administration expenses totaled $0.3 million and $1.4 million, respectively, in the three and twelve months ended December 31, 2017 (2016 - $0.3 million and $1.4 million, respectively). General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. Compared to the same periods in 2016, general and administration expenses in the three and twelve-month periods ended December 31, 2017 were comparable in aggregate and by expense type.

Performance Bonus Expense

The Corporation has asset performance bonus pool ("**APBP**") arrangements for certain individuals and entities, primarily employees and pre-IPO shareholders (the "**Pre-IPO APBP Participants**"), (collectively "**APBP Participants**"). For certain investment funds managed by the Corporation, 20% of investment returns in excess of a preferred rate of return earned by the fund 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 accrued to June 30, 2015 from NCOF II and NCOF II Parallel to the Pre-IPO 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 Pre-IPO APBP Participants who are employees with the other 50% retained by the Corporation. The June 30, 2017 dissolution of NCOF II and NCOF II Parallel triggered performance fee distributions from those funds of $3.2 million and $1.0 million, respectively, of which, in aggregate, $2.3 million was paid to APBP Participants in the twelve months ended December 31 2017 and $1.0 million was retained in the Corporation's provision for performance bonus as at December 31, 2017 as amounts payable to APBP Participants, in the event of any contingencies related to the dissolution of the NCOF Funds. It is anticipated this amount will be paid during the first quarter of 2018.

Allocation of the participation rights of the APBP relating to CCF IV LP commenced in 2015 and will continue until 2022 with 50% of performance fees recognized by the funds allocated to employees. Performance bonus amounts will be paid to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners in the related investment funds.

For the three and twelve months ended December 31, 2017, Crown accrued performance bonus expense of $0.5 million and $2.1 million, respectively (2016 – $0.3 million and $0.9 million, respectively). Included in accrued performance bonus expense for the twelve months ended December 31, 2017 is $0.8 million of performance fee distributions received from NCOF II Parallel that were attributable to

APBP Participants. No amounts had previously been accrued by the Corporation for performance fee distributions or performance bonus expense related to NCOF II Parallel.

Finance Costs

Finance costs totaled $0.1 million and $0.6 million, respectively, for the three and twelve months ended December 31, 2017 (2016 - $nil), including standby fees and the amortization of deferred financing costs related to the Corporation's Credit Facility. The Credit Facility was established effective December 30, 2016 and the balance outstanding at December 31, 2017 was $nil.

Income Taxes

For the three and twelve months ended December 31, 2017, Crown recorded current tax expense of $0.3 million and $2.0 million, respectively (2016 – $0.4 million and $2.2 million, respectively) and deferred tax expense of $0.5 million and $0.8 million, respectively (2016 – $0.1 million and $0.1 million, respectively).

The Corporation's consolidated statutory tax rate for the three and twelve months ended December 31, 2017 on earnings before income taxes attributable to shareholders of the Corporation was 26.5%.

The deferred income tax asset at December 31, 2017 of $0.7 million and deferred tax expenses for the three and twelve months ended December 31, 2017 result primarily from financing costs associated with the IPO and the Credit Facility which are deductible for tax purposes over a five-year period and performance bonus expenses which are not deductible for tax purposes until they are paid in future periods.

Net Income and Comprehensive Income

For the three and twelve months ended December 31, 2017, Crown earned net income and comprehensive income of $6.2 million and $18.1 million, respectively (2016 – $2.8 million and $9.7 million, respectively).

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

For the three and twelve months ended December 31, 2017, net income and comprehensive income attributable to Shareholders was $2.1 million and $6.7 million, respectively (2016 – $0.9 million and $5.1 million, respectively). Net income and comprehensive income attributable to non-controlling interests for the three and twelve months ended December 31, 2017 was $4.1 million and $11.3 million, respectively (2016 – $1.9 million and $4.6 million, respectively). Net income and comprehensive income attributable to non-controlling interests reflects the proportionate interest of non-controlling interests in the net income and comprehensive income of consolidated investment funds, and is net of contractual management fees on the capital of non-controlling interests for the three and twelve months ended December 31, 2017 of $0.3 million and $1.4 million, respectively (2016 - $0.2 million and $0.5, respectively), which the Shareholders are entitled to retain.

Adjusted EBIT

Crown achieved Adjusted EBIT in the three and twelve months ended December 31, 2017 of $3.4 million and $11.5 million, respectively (2016 – $1.8 million and $9.0 million, respectively). Adjusted EBIT is calculated by Crown as earnings before financing costs; non-cash, share-based compensation; and income taxes less net income attributable to non-controlling interests.

A reconciliation of earnings before income taxes to Adjusted EBIT for the three and twelve months ended December 31, 2017 and December 31, 2016 is shown in the following table:

Reconciliation of Earnings before Income Taxes to Adjusted EBIT	Three Months Ended December 31,		Twelve Months Ended December 31,	
(In $000s)	2017	2016	2017	2016
Earnings before income taxes	$ 6,988	$ 3,241	$ 20,867	$ 12,120
Add: financing costs	137	-	559	-
Add: non-cash share-based compensation	382	440	1,378	1,489
Deduct: net income attributable to non-controlling interests	(4,092)	(1,886)	(11,336)	(4,633)
Adjusted EBIT	$ 3,415	$ 1,795	$ 11,468	$ 8,976

Compared with the comparable prior-year period, Adjusted EBIT in the three months ended December 31, 2017 was higher due primarily to higher interest revenue resulting from a higher level of capital invested in interest-generating loans, a higher level of net gains on investments and higher management fees resulting from a higher level of contributed capital from non-controlling interests, partially offset by lower fee income resulting from a lower aggregate value of new investment.

The major factors influencing the variance in Adjusted EBIT in the twelve months ended December 31, 2017 compared to the same period in the prior year were higher interest revenue resulting from a higher level of capital invested in interest-generating loans, higher management fees resulting from a higher level of contributed capital from non-controlling interests and performance fees related to the dissolution of NCOF II Parallel, partially offset by a lower level of net gains on investments.

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

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2017 totaled $41.1 million (December 31, 2016 - $19.3 million). Accounts receivable at December 31, 2017 totaled $3.0 million (December 31, 2016 - $1.7 million) and was comprised primarily of interest receivable from investments and management fees receivable from NCOF LP.

The Corporation's current liabilities at December 31, 2017 totaled $4.5 million (December 31, 2016 - $4.0 million). Accounts payable and accrued liabilities at December 31, 2017 of $1.5 million (December 31, 2016 - $2.0 million) included accrued annual employee bonuses, due diligence deposits from prospective borrowers, accrued director fees and employee salaries and normal-course amounts due to suppliers.

Distributions payable to non-controlling interests at December 31, 2017 totaled $2.0 million (December 31, 2016 – $1.1 million) and income taxes payable were $nil (December 31, 2016 - $0.9 million). Of the total provision for performance bonus of $2.7 million at December 31, 2017 (December 31, 2016 - $2.9 million), $1.0 million was a current liability (December 31, 2016 - $nil). Working capital at December 31, 2017 was $39.7 million (December 31, 2016 - $17.0 million).

The Corporation, on a non-consolidated basis, retains sufficient capital to ensure it meets minimum excess working capital requirements under applicable securities law. This minimum amount was $100,000 at December 31, 2017.

In January 2017, CCF IV LP completed a closing of subscriptions for an additional 50,000 Units at $1,000 per Unit, bringing the total capital committed to CCF IV LP to $175 million. In this closing, Crown, through CCFC, increased its commitment to CCF IV LP to $63.3 million. In July 2017, CCF IV LP completed a closing of subscriptions for an additional 50,000 Units at $1,000 per Unit, bringing the total capital committed to CCF IV LP to $225 million. In this closing, Crown, through CCFC, increased its aggregate commitment to CCF IV LP, including its commitment to CCF IV Investment, which has an interest in CCF IV LP, to $82.2 million. Of this amount, $66.7 million was contributed as at December 31, 2017 and Crown's aggregate unfunded commitment to CCF IV LP and CCF IV Investment totaled $15.6 million. The Corporation has sufficient liquidity to fund its commitment to CCF IV LP.

At December 31, 2017, $115.8 million (81%) of the $142.8 million committed to CCF IV LP to that date by limited partners other than Crown had been drawn by CCF IV LP, leaving $27.0 million of committed capital available to CCF IV LP from parties other than Crown. CCF IV LP has a maximum size of $300.0 million, with additional closings expected to occur prior to September 2018 as opportunities are identified to fund Special Situations Financing transactions and subscriptions in CCF IV LP are received.

On December 30, 2016, Crown entered into an agreement for a $35.0 million, 36-month, renewable senior secured revolving credit facility with Alberta Treasury Branches and Business Development Bank of Canada which is intended to be used primarily to fund the Corporation's capital commitments to CCF IV LP and to fund Long-Term Financings. No amounts were drawn on the Credit Facility during 2017 and the balance outstanding on the Credit Facility at December 31, 2017 was $nil.

Considering the Corporation's working capital, the $27.0 million of committed capital available to CCF IV LP from parties other than Crown, and the Credit Facility, at December 31, 2017, the Corporation had access to up to approximately $88.9 million for additional portfolio investments.

Investments, at Fair Value through Profit or Loss

At December 31, 2017, the Corporation held investments in twelve Canadian companies. Investments, at fair value through profit or loss, at December 31, 2017 totaled $181.3 million (December 31, 2016 - $159.0 million). Additional information about investments at fair value through profit or loss can be found in Note 4, Fair value measurement in the Corporation's audited consolidated financial statements for the years ended December 31, 2017 and December 31, 2016.

Provision for Performance Bonus

The Corporation has obligations to APBP Participants under the APBP which will become payable in the event certain investment funds, including subsidiary investment funds, exceed minimum returns over their life. The provision for performance bonus at December 31, 2017 totaled $2.7 million (2016 - $2.9 million) of which $1.7 million represented the portion of performance fees related to CCF IV LP recognized in consolidated earnings to date that will be payable to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners of CCF IV LP. The remaining $1.0 million of the provision for performance bonus as at December 31, 2017 relates to the NCOF Funds, is payable as a result of the return of all capital of those funds and is expected to be paid to APBP Participants prior to March 31, 2018.

Share Purchase Loans

The Corporation has an Executive Share Purchase Plan ("**Share Purchase Plan**") whereby the Board can approve loans to senior management ("**Participants**") for the purpose of purchasing the Corporation's Common Shares in the open market. The following must be paid directly to the Corporation on behalf of Participants in repayment of interest and principal on these loans: all dividend distributions on the Common Shares, all annual performance incentive plan payments to Participants in excess of target bonus payouts, and all proceeds from the sale of the Common Shares.

In the year ended December 31, 2017, the Corporation advanced $2.3 million of new loans under the Share Purchase Plan. As at December 31, 2017, $2.2 million of these loans were outstanding (December 31, 2016 - $nil), including accrued interest of $17,889. The loans under the Share Purchase Plan bear interest at Prime (3.2% as at December 31, 2017), have a seven-year term (maturity date: June 3, 2024) and are personally guaranteed by Participants. The shares are pledged as security for the loans and had a fair value of $2.1 million as at December 31, 2017.

Non-Controlling Interests

At December 31, 2017, non-controlling interests was $118.4 million (December 31, 2016 - $73.9 million). The increase compared to December 31, 2016 was due primarily to additional capital contributions to CCF IV LP by non-controlling interests, partially offset by the elimination of non-controlling interests related to NCOF II as a result of its dissolution.

Share Capital

As at December 31, 2017, total share capital was $96.6 million (December 31, 2016 - $96.6 million).

In the year ended December 31, 2017, the Corporation issued 38,274 Common Shares to employees and directors as a result of vesting of Share Units. The total value assigned to the Common Shares was $0.4 million and this amount was added to share capital.

On April 8, 2016, the Corporation commenced a normal course issuer bid ("**NCIB**") to purchase for cancellation during the next 12 months up to 620,000 Common Shares representing approximately 10% of the public float of Common Shares and approximately 6.5% of the issued and outstanding Common

Shares. Under this NCIB program, which expired on April 7, 2017, Crown repurchased and canceled 7,400 Common Shares in the six months ended June 30, 2017 at an average cost of $9.59 per Common Share.

On April 10, 2017, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 310,000 Common Shares representing approximately 4.2% of the public float of Common Shares and approximately 3.3% of the issued and outstanding Common Shares. This NCIB program will expire on April 9, 2018. Under this NCIB program, Crown repurchased and canceled 35,616 Common Shares in the year ended December 31, 2017 at an average cost of $9.83 per Common Share.

The total number of Common Shares outstanding at December 31, 2017 was 9,510,017 (December 31, 2016 – 9,514,759; March 1, 2018 – 9,500,467).

Contributed Surplus

At December 31, 2017, Crown's contributed surplus of $2.9 million included the opening balance at January 1, 2017 of $1.9 million plus, for the year ended December 31, 2017, $1.7 million for share-based compensation expense recorded for Share Units and Stock Options outstanding during the period less $0.4 million transferred to share capital for Share Units vested and $0.3 million for cash-settled share-based compensation.

Cash Flows

Cash and cash equivalents at December 31, 2017 totaled $41.1 million (December 31, 2016 - $19.3 million). In the year ended December 31, 2017, the primary sources of cash flow for the Corporation were non-controlling interest contributions to CCF IV LP to fund the investments in Solo, Petrowest (bridge loan), Marquee, Ferus, Active, Canadian Helicopters and Baylin, net income and comprehensive income and proceeds from repayment of the Corrosion, CRH, Distinct and Medicure investments and from the partial repayment of the Source loan. Primary uses of cash included completion of the investments in Solo, Petrowest (bridge loan), Marquee, Ferus, Active and Canadian Helicopters, distributions to non-controlling interests, share purchase loan advances and dividend payments to Shareholders.

On February 6, 2018, the Corporation declared a quarterly dividend of $0.15 per Common Share. The dividend will be paid on March 2, 2018 to Shareholders of record on February 16, 2018.

Off-Balance Sheet Arrangements

As at December 31, 2017, the Corporation, through CCFC, had subscribed for 78,750 Units of CCF IV LP. This subscription included a commitment by Crown to provide up to $78.8 million to CCF IV LP as funds are called by CCF IV LP to fund new Special Situations Financing transactions. As of December 31, 2017, the Corporation had contributed capital to CCF IV LP totaling $63.9 million and was committed to provide up to an additional $14.9 million to CCF IV LP.

Through CCFC, the Corporation had also subscribed for 3,570 Units of CCF IV Investment LP. This subscription included a commitment by Crown to provide up to $3.6 million to CCF IV Investment LP as funds are called by CCF IV Investment LP to fund its commitment to CCF IV LP. As of December 31, 2017, the Corporation had contributed capital to CCF IV Investment LP totaling $2.9 million and was committed to provide up to an additional $0.7 to CCF IV Investment LP.

Crown has no other material off-balance sheet arrangements.

Related Party Transactions

Pursuant to limited partnership agreements, Crown receives management fees for services provided from NCOF LP and, until its dissolution on June 30, 2017, NCOF II Parallel. During the three and twelve months ended December 31, 2017, Crown earned management fees from NCOF LP and NCOF II Parallel totaling $32,375 and $0.2 million, respectively (2016 - $0.1 million and $0.3 million, respectively).

In the year ended December 31, 2017, Crown received a performance fee distribution from NCOF II Parallel of approximately $1.0 million, of which the amount attributable to Shareholders, net of amounts payable to APBP Participants, was approximately $0.2 million. No amounts had previously been accrued by the Corporation for performance fee revenues or performance bonus expenses related to NCOF II Parallel.

At December 31 2017, accounts receivable included $0.4 million due from NCOF LP (2016 - $0.3 million).

Pursuant to limited partnership agreements, NCOF II and CCF IV LP also pay management fees to Crown for management services provided. Management fees paid to Crown by NCOF II and CCF IV LP are eliminated on consolidation.

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

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

Fees Earned From Related Parties	Three Months Ended December 31,		Twelve Months Ended December 31,		
($ in 000s)	2017	2016	2017	2016	Notes on Consolidation
Transaction fees - Crown	$ 150	$ 1,197	$ 962	$ 1,310	Included in Revenues - Fees and other income
Management fees charged to NCOF LP and NCOF II Parallel	32	74	216	295	Included in Revenues - Fees and other income
Performance fees related to NCOF II Parallel	-	-	1,044	-	Included in Revenues - Performance fee distributions
Performance fees related to non-controlling interest in CCF IV LP	572	346	1,435	612	Allocated from net income to income attributable to Shareholders
Performance fees related to non-controlling interest in NCOF II	-	21	75	214	Allocated from net income to income attributable to Shareholders
Management fees related to non-controlling interest in CCF IV LP and NCOF II	343	187	1,364	506	Allocated from net income to income attributable to Shareholders
	$ 1,097	$ 1,825	$ 5,096	$ 2,937	

Critical Estimates and Accounting Policies

The preparation of the audited 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 audited consolidated financial statements for the three and twelve months ended December 31, 2017 and December 31, 2016 are included in the following notes in those financial statements:

- Note 4 – Fair value measurement;
- Notes 3 (h) and 8 – Share-based compensation;
- Notes 3 (j) and 13 – Income tax.

Additional information about critical estimates and accounting policies can be found in the Corporation’s 2017 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

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**”), represents a significant change from, and replaces, International Accounting Standards (IAS) 39 “*Financial Instruments: Recognition and Measurement*”. The new standard brings fundamental changes to the accounting for financial assets. The key aspects of IFRS 9 and their impact to the Corporation’s accounting policies resulting from its adoption are summarized in Note 3(k) of the Corporation’s audited consolidated financial statements for the years ended December 31, 2017 and 2016. The standard is effective on January 1, 2018 and is to be applied on a retrospective basis, with certain exceptions. As permitted under the standard, the Corporation will elect to adopt the standard without restatement of comparative figures. Any transition adjustments arising on January 1, 2018 will be presented as adjustments to opening retained earnings.

Revenue

IFRS 15, *"Revenue from Contracts with Customers"* ("**IFRS 15**"), was issued by the IASB in May 2014. 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. IFRS 15 will be applied effective January 1, 2018 and the Corporation does not expect any material changes to its financial reporting.

Financial Instruments and Associated Risks

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, share purchase loans, accounts payable and accrued liabilities, provision for performance bonus and distributions payable to non-controlling interests. The fair value of share purchase loans approximates carrying value due to the variable rate of interest applicable to these instruments. The fair values of other financial instruments approximate carrying value due to the short term to maturity of the instruments.

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

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 CCF IV LP's interest in Source common shares. The Corporation's Canadian warrants include CCF IV LP's interest in common share purchase warrants of Marquee and Medicure. Source, Marquee and Medicure 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 CCF IV LP's loans to Petrowest, BGO, Touchstone, Source, Solo, Marquee, Ferus, RBee, Active and Canadian Helicopters 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. Other than the PenEquity loan, these debt securities bear fixed interest rates which impacts 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 except to the extent of investees' underlying operations which in some cases are dependent on revenues denominated in foreign currencies.

Additional information about financial instruments and associated risks can be found in the Corporation's 2017 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Risk Factors

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

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

The primary risk factor for CCF IV LP is credit risk, being the potential inability of one or more of the ten portfolio companies to meet their obligations to CCF IV LP. As at December 31, 2017, the Petrowest loan was in default and the company was in a receivership process, representing a risk that related principal might not be fully recovered in the event that proceeds from the liquidation of net assets are insufficient to fund full repayment to CCF IV LP. In addition, at December 31, 2017, CCF IV LP held Source common shares which were valued at $1.1 million, Marquee common share purchase warrants which were valued at $0.4 million, and Medicure common share purchase warrants which were valued at $1.3 million. 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 5 - Financial Risk Management in the Corporation's December 31, 2017 audited 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 Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The CEO and CFO have designed, or caused to be designed under their direct supervision, Crown's DC&P to provide reasonable assurance that:

- material information relating to Crown, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and

- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported on a timely basis.

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

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, 2017. 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 year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, Crown's ICFR.

Forward-Looking Statements

Statements that are not reported financial results or other historical information are forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"). This MD&A includes forward-looking statements regarding Crown and the industries in which it operates, including statements about, among other things, expectations, beliefs, plans, future loans and origination, business and acquisition strategies, opportunities, objectives, prospects, assumptions, including those related to trends and prospects and future events and performance. Sentences and phrases containing or modified by words such as "anticipate", "plan", "continue", "estimate", "intend", "expect", "may", "will", "project", "predict", "potential", "targets", "projects", "is designed to", "strategy", "should", "believe", "contemplate" and similar expressions, and the negative of such expressions, are not historical facts and are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or by which, such events, performance or results will be achieved, if achieved at all. Forward-looking statements are based on information available at the time and/or management's expectations with respect to future events that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The factors described under the heading "Risk Factors" in this MD&A and in the AIF, as well as any other cautionary language in this MD&A, provide examples of risks, uncertainties and events that may cause Crown's actual results to differ materially from the expectations it describes in its forward-looking statements. Readers should be aware that the occurrence of the events described in these risk factors and elsewhere in this MD&A

could have an adverse effect on, among other things, Crown's business, prospects, operations, results of operations and financial condition.

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

- the Corporation's intentions for the use of its cash and cash equivalents and the timing thereof, including additional capital contributions to CCF IV LP and CCPC LP;
- the investments of CCF IV LP in Special Situations Financing transactions and the potential structuring of such transactions;
- the Corporation's ability to recover the Petrowest loan through Petrowest's insolvency proceedings;
- the performance of financing clients;
- the investments of CCPC LP in Long-Term Financing transactions and the potential structuring of such transactions;
- the Corporation's business plans and strategy;
- the Corporation's future cash flow and shareholder value;
- the sourcing of deals from Crown's established network and its potential pipeline of projects;
- the future capitalization of CCF IV LP and CCPC LP and future closings in relation thereto;
- Crown's future entitlement to base management and performance fees;
- the effect of delays between the repayment of loans and the redeployment of capital on Crown's financial condition;
- the future accounting policies of the Corporation;
- the alternative financial market and the general economy;
- the determination of recovery levels for Crown's loans going forward;
- the effect of the early repayment of loans on anticipated interest income;
- the Corporation's ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing); and
- the vesting of Share Units and Options.

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

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

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

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

Market and Industry Data

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

Trademarks, Trade Names and Service Marks

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

Additional Information

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

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

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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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 1, 2018
Calgary, Canada

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Financial Position

(expressed in thousands of Canadian dollars)

As at	December 31, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	$ 41,106	$ 19,262
Accounts receivable	3,048	1,747
Income taxes recoverable	42	-
Prepaid expenses	68	71
	44,264	21,080
Investments, at fair value through profit or loss (Note 4)	181,302	158,951
Share purchase loans (Note 9)	2,226	-
Office equipment	11	16
Deferred financing costs (Note 10)	536	789
Deferred income taxes (Note 13)	711	1,539
	$ 229,050	**$ 182,375**
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,527	$ 2,010
Distributions payable to non-controlling interest	2,015	1,116
Provision for performance bonus (Note 6)	984	-
Income taxes payable	-	909
	4,526	4,035
Provision for performance bonus (Note 6)	1,681	2,910
Non-controlling interests (Note 12)	118,394	73,911
Total Liabilities	124,601	80,856
Equity		
Share capital (Note 7)	96,570	96,635
Contributed surplus	2,931	1,900
Retained earnings	4,948	2,984
Total Equity	104,449	101,519
	$ 229,050	**$ 182,375**

Subsequent events (Note 15)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

signed "George Fowlie"	Chairman	signed "Chris Johnson"	Director
George Fowlie		Chris Johnson	

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Comprehensive Income

(expressed in thousands of Canadian dollars, except earnings per share and weighted average number of shares)

For the years ended December 31,		**2017**		**2016**
Revenues				
Interest revenue	$	20,311	$	11,510
Fees and other income		5,634		3,754
Performance fee distributions (Note 6)		1,044		-
Net gain on investments				
Net realized gain from investments		3,344		1,741
Net change in unrealized gain (loss) in fair value of investments		(1,325)		1,361
		29,008		18,366
Expenses				
Salaries, management fees and benefits		2,391		2,290
Share-based compensation (Note 8)		1,683		1,663
General and administration		1,439		1,373
Performance bonus expense (Note 6)		2,063		915
Depreciation		6		5
Finance costs (Note 10)		559		-
		8,141		6,246
Earnings before income taxes		20,867		12,120
Income taxes (Note 13)				
Current tax expense		1,968		2,244
Deferred tax		828		146
		2,796		2,390
Net income and comprehensive income	$	18,071	$	9,730
Net income and comprehensive income attributable to:				
Shareholders of the Corporation	$	6,735	$	5,097
Non-controlling interests (Note 12)		11,336		4,633
	$	18,071	$	9,730
Earnings per share attributable to shareholders:				
Basic	$	0.71	$	0.54
Diluted	$	0.69	$	0.53
Weighted average number of shares, basic		9,524,972		9,504,362
Weighted average number of shares, diluted		9,825,532		9,674,272

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(expressed in thousands of Canadian dollars, except number of shares)

	Number of shares	Share capital	Contributed surplus	Retained earnings	Total Equity
Balance as at January 1, 2016	9,488,094	$ 96,386	$ 836	$ 2,038	$ 99,260
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	5,097	5,097
Share-based compensation (Note 8)	-	-	1,663	-	1,663
Cash-settled share-based compensation	-	-	(186)	13	(173)
Issuance of common shares (Note 7)	42,843	413	(413)	-	-
Shares repurchased (Note 7)	(16,178)	(164)	-	18	(146)
Dividends declared (Note 7)	-	-	-	(4,182)	(4,182)
Balance as at December 31, 2016	9,514,759	$ 96,635	$ 1,900	$ 2,984	$ 101,519
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	6,735	6,735
Share-based compensation (Note 8)	-	-	1,683	-	1,683
Cash-settled share-based compensation	-	-	(280)	(24)	(304)
Issuance of common shares (Note 7)	38,274	372	(372)	-	-
Shares repurchased (Note 7)	(43,016)	(437)	-	15	(422)
Dividends declared (Note 7)	-	-	-	(4,762)	(4,762)
Balance as at December 31, 2017	9,510,017	$ 96,570	$ 2,931	$ 4,948	$ 104,449

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)

For the years ended December 31,	2017	2016
Cash provided by (used in) operating activities		
Net income and comprehensive income	$ 18,071	$ 9,730
Non-cash items:		
Net gain on investments	(2,019)	(3,103)
Depreciation	6	5
Deferred income tax	828	147
Share-based compensation	1,378	1,489
Provision for performance bonus, net of payments (Note 6)	(244)	915
Amortization of deferred finance costs (Note 10)	283	-
Net change in non-cash working capital (Note 14)	(1,943)	(3,145)
	16,360	6,038
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	91,926	62
Proceeds from sale of equity securities	1,390	4,082
Purchase of investments	(113,648)	(75,625)
Purchase of office equipment	-	(10)
	(20,332)	(71,491)
Cash provided by (used in) financing activities		
Non-controlling interest contributions to CCF IV LP (Note 12)	69,521	49,122
Distributions paid by NCOF II to non-controlling interest	(6,121)	(1,850)
Distributions paid by CCF IV to non-controlling interest	(29,355)	(1,870)
Deferred financing costs (Note 10)	(30)	(789)
Share purchase loan advances, net of repayments (Note 9)	(2,226)	-
Shares repurchased (Note 7)	(422)	(146)
Dividends (Note 7)	(4,762)	(4,182)
Net change in non-cash working capital (Note 14)	(789)	789
	25,816	41,074
Increase (decrease) in cash and cash equivalents	21,844	(24,379)
Cash and cash equivalents, beginning of year	19,262	43,641
Cash and cash equivalents, end of year	$ 41,106	$ 19,262
Supplemental cash flow information:		
Interest received	$ 19,145	$ 10,333
Income taxes paid	$ 2,919	$ 2,527

See accompanying notes to consolidated financial statements.

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 registered office is Suite 888 3rd Street S.W., Calgary, Alberta. These consolidated financial statements as at and for the years ended December 31, 2017 and 2016 comprise the Corporation and its subsidiaries.

On July 9, 2015, the Corporation issued 5,910,000 common shares pursuant to an Initial Public Offering ("IPO"). Immediately prior to the closing of the IPO, the Corporation acquired 69.75% of the outstanding limited partnership units of Norrep Credit Opportunities Fund II, LP ("NCOF II") in exchange for 3,214,494 common shares of the Corporation.

Crown Capital Fund III Management Inc. ("CCF III"), a wholly-owned subsidiary, is the general partner of Norrep Credit Opportunities Fund, LP ("NCOF LP"), and manages this fund. CCF III was also the general partner and manager of NCOF II and Norrep Credit Opportunities Fund II (Parallel), LP ("NCOF II (Parallel)") until their dissolution effective June 30, 2017.

On September 4, 2015, Crown Capital Fund IV Management Inc. ("CCF IV"), a wholly-owned subsidiary, was incorporated. CCF IV is the general partner of Crown Capital Fund IV, LP ("CCF IV LP"). In September 2015, the Corporation, through its wholly-owned subsidiary, Crown Capital Funding Corporation ("CCFC"), subscribed for 50,000 units of CCF IV LP, which at that time was a 50% interest. In July 2016, an additional 25,000 units were subscribed by other investors, reducing the Corporation's interest to 40% effective July 1, 2016. In January 2017, an additional 50,000 units were issued of which CCFC subscribed for 11,250 units, reducing the Corporation's interest to 35% effective January 1, 2017. In July 2017, an additional 50,000 units were issued of which CCFC subscribed for 17,500 units directly. Each unit of CCF IV LP includes a commitment to invest up to $1,000 in CCF IV LP.

On July 13, 2017, the Corporation, through CCFC, also subscribed for 3,570 units in Crown Capital Fund IV Investment, LP ("CCF IV Investment"), representing an interest in CCF IV Investment of approximately 22.5%. CCF IV Investment has an interest in CCF IV LP of approximately 6.9%. Including its investment in CCF IV Investment, Crown held an effective interest in CCF IV LP of 36.5%, effective July 1, 2017. Each unit of CCF IV Investment includes a commitment to invest up to $1,000 in CCF IV Investment.

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 Fund, LP ("CCPC LP"), which was formed on December 16, 2015. The Corporation, through its wholly-owned subsidiary, CCFC, has contributed $25,000,000 as of December 31, 2017 for a 100% limited partnership interest in CCPC LP. The Corporation provides management services to CCPC LP.

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 1, 2018.

(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 4 – fair value measurement of investments;

(ii) Notes 3 (h) and 8 – measurement of share-based compensation; and

(iii) Notes 3 (j) and 13 – recognition of deferred tax assets.

3. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All inter-company accounts and transactions have been eliminated on consolidation.

The Corporation does not consolidate its investment in CCF IV Investment. This investment is accounted for in accordance with IAS 28 *"Investments in Associates and Joint Ventures"*. Due to the consolidation of CCF IV LP and the intercompany nature of the transactions, this results in an effective increase in the Corporation's investment in CCF IV LP to 36.5%, as described in Note 1.

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.

3. Significant accounting policies (continued):

(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.

(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.

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, accounts receivable and share purchase loans

Financial liabilities at amortized cost:

- Other financial liabilities: accounts payable, distributions payable and provision for performance bonus

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.

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

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. 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 fees. These fees are shown net of management fee discounts 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 are recognized in fees and other income when received.

Performance fees earned from non-consolidated managed funds are recognized when declared by the managed fund.

(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.

3. Significant accounting policies (continued):

(f) Office equipment:

All classes of office 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 provision for performance bonus 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.

(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.

3. Significant accounting policies (continued):

(h) Share-based payment plans (continued):

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.

3. Significant accounting policies (continued):

(j) 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.

3. Significant accounting policies (continued):

(k) 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:

(i) IFRS 9 *"Financial Instruments"* ("IFRS 9"):

IFRS 9 represents a significant change from, and replaces International Accounting Standards (IAS) 39 *"Financial Instruments: Recognition and Measurement"* ("IAS 39"). The new standard brings fundamental changes to the accounting for financial assets. The key aspects of IFRS 9 and their impact to the Corporation's accounting policies resulting from its adoption are summarized below.

Classification and measurement

IFRS 9 classification of financial assets is based on the business model for managing the portfolio of assets and the contractual cash flow characteristics of these financial assets. IFRS 9 contains three principal classification categories for financial assets that are debt securities: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Equity securities are generally measured at FVTPL unless an election is taken to measure at FVOCI. The standard eliminates the existing IAS 39 categories of held to maturity, held for trading, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss model. The new impairment model also applies to certain loan commitments and financial guarantees but not to equity investments.

The expected loss impairment model is based on a forward-looking approach and contains a three-stage methodology to evaluate changes in credit risk since initial recognition. For assets where there has not been a significant increase in credit risk since initial recognition (stage one), a loss provision equal to 12 months expected credit losses is recognized. If credit risk increases significantly from initial recognition (stage two) or if a financial asset is considered credit impaired (stage three), a loss provision equal to the lifetime expected credit losses is recognized.

3. Significant accounting policies (continued):

(k) New standards and interpretations not yet adopted (continued):

(i) IFRS 9 *"Financial Instruments"* (continued):

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Corporation will consider reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and credit risk assessment from qualified personnel, including forward-looking information.

The key inputs into the measurement of expected credit loss, regardless of the presence of significant increase in credit risk are probability of default, loss given default and exposure at default.

Transition

The standard is effective January 1, 2018 and is to be applied on a retrospective basis, with certain exceptions. Any transition adjustments arising on January 1, 2018 will be presented as adjustments to opening retained earnings.

The Corporation's classification and measurement of equity investments and financial liabilities will remain unchanged under IFRS 9 and will be measured at FVTPL and amortized cost, respectively.

The Corporation's debt instruments are held within a business model where the objective is achieved by holding to collect the contractual cash flows, rather than holding to sell. The Corporation therefore is required to assess the contractual terms of the cash flows to determine the appropriate classification and measurement of its debt instruments. For those debt instruments which give rise to cash flows that are solely payments of principal and interest, these financial assets will be classified and measured at amortized cost. For those debt instruments which give rise to cash flows that are other than solely payments of principal and interest, these financial assets will be classified and measured at FVTPL. The Corporation anticipates measuring some of its debt instruments at amortized cost and others at fair value based on these requirements.

The Corporation currently classifies and measures all of its debt instruments at FVTPL. Therefore, for those debt instruments which will be classified and measured at amortized cost under IFRS 9, a transition adjustment is anticipated. The adjustment will include an amount to account for up-front financing fees over the term of the related debt instrument as part of the effective interest rate. Financing fees earned at the time of origination of instruments accounted for at FVTPL will continue to be recognized when the debt instrument is originated.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

3. Significant accounting policies (continued):

(k) New standards and interpretations not yet adopted (continued):

(i) IFRS 9 *"Financial Instruments"* (continued):

In addition, those instruments classified and measured at amortized cost will be subject to the new impairment model, which may result in an additional transition adjustment.

The Corporation is currently completing its analysis of each debt instrument to determine the potential transition adjustment for those debt instruments to be classified at amortized cost on transition to IFRS 9.

(ii) IFRS 15 *"Revenue from Contracts with Customers"* ("IFRS 15"):

IFRS 15 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. IFRS 15 will be applied effective January 1, 2018 and the Corporation does not expect any material changes to its financial reporting.

4. Fair value measurement:

(a) Investments

As at	**December 31, 2017**		**December 31, 2016**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Canadian debt securities	$ 173,392	$ 174,519	$ 151,590	$ 152,761
Canadian equity securities	3,286	4,202	2,685	4,486
Other investments	1,658	2,581	1,658	1,704
Total Investments	$ 178,336	$ 181,302	$ 155,933	$ 158,951

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.

4. Fair value measurement (continued):

(a) Investments (continued)

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

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

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

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

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

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

The tables below analyze investments measured at fair value at December 31, 2017 and December 31, 2016 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. There were no transfers between levels during the period.

December 31, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian debt securities	$ -	$ -	$ 174,519	$ 174,519
Canadian equity securities	1,055	1,671	1,476	4,202
Other investments	-	-	2,581	2,581
Total Investments	$ 1,055	$ 1,671	$ 178,576	$ 181,302

December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian debt securities	$ -	$ -	$ 152,761	$ 152,761
Canadian equity securities	1,684	2,802	-	4,486
Other investments	-	-	1,704	1,704
Total Investments	$ 1,684	$ 2,802	$ 154,465	$ 158,951

Canadian debt securities that are current are valued using the discounted present value of expected cash flows arising from these debt instruments.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

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

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 loan. Significant unobservable inputs 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 management's current assessment of market conditions.

Discount rates are subject to adjustment based on both management's current assessment of market conditions and the economic performance of individual investments. At December 31, 2017, discount rates used range from 10.7% to 17.9% (2016 – 11.2% to 16.3%).

At December 31, 2017 there is one loan in default that is valued on a liquidation basis. The Canadian equity securities at December 31, 2017 include warrants classified as Level 3 that are valued based on a net asset value-based estimate of the underlying equity value. The other investments classified as Level 3 are valued using the discounted present value of expected cash flows arising from these investments.

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

December 31, 2017		
		Level 3 Securities
Beginning balance, January 1, 2017	$	154,465
Purchases		112,507
Repayment		(91,927)
Net change in unrealized gains		3,531
Balance, December 31, 2017	$	178,576

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Fair value measurement (continued):

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

December 31, 2016		
		Level 3 Securities
Beginning balance, January 1, 2016	$	79,737
Purchases		73,856
Repayment		(61)
Unrealized gains		933
Balance, December 31, 2016	$	154,465

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, 2017 would decrease by $4,387 or increase by $4,613, respectively. The most significant input into the calculation of fair value of the Level 3 debt investment being valued on a liquidation basis is the estimated proceeds from the liquidation of the borrower's assets. The estimation of such proceeds is subject to change and the timing and level of actual proceeds received might vary from current expectations, resulting in adjustments to the fair value of this debt investment in future periods.

(c) Canadian debt instruments

As at December 31, 2017, investments held in the form of Canadian debt securities had coupon interest rates ranging from 8.0% to 14.0% (2016 – 8.0% to 14.0%) per annum and, other than two loan investments payable on demand with an aggregate fair value of $25,000, had maturity dates from February 24, 2020 to December 16, 2025 (2016 – June 1, 2018 to December 16, 2025).

(d) Canadian equities

As at December 31, 2017, investments in equity securities included common shares of a Canadian public company, warrants in Canadian public companies and warrants in a Canadian private company

4. Fair value measurement (continued):

(e) Financial instruments not measured at fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and distributions payable to non-controlling interests approximate their fair values due to their short term to maturity. The carrying value of the share purchase loans approximates the fair value due to the market interest rate on the loans.

5. Financial risk management:

(a) Overview:

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

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

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

(b) Risk management framework:

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

The Corporation views its capital as a combination of debt and shareholders' equity balances. The Corporation's securities regulators require the Corporation to maintain a minimum of $100,000 of excess working capital, in its separate non-consolidated financial position. Management ensures it is meeting this requirement by performing a monthly calculation from internally prepared non-consolidated 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.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

5. Financial risk management (continued):

(c) Credit risk:

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

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

Carrying amount	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 41,106	$ 19,262
Accounts receivable	3,048	1,747
Income taxes recoverable	42	-
Share purchase loans	2,226	-
Investments in debt securities, at fair value through profit or loss	174,519	152,761
	$ 220,941	$ 173,770

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

Share purchase loans are personally guaranteed by senior management ("Participants") and shares of the Corporation funded by these loans are pledged as security for the loans.

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.

5. 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, 2017 of $4,526 and current assets of $44,264 (December 31, 2016 - $4,035 and $21,080), respectively.

The Corporation has long-term liabilities at December 31, 2017 of $120,075 (December 31, 2016 - $76,821), representing the non-current portion of the provision for performance bonus and non-controlling interests. Since these liabilities only become due as the related investment fund's assets are liquidated and liquidation proceeds are 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.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

5. Financial risk management (continued):

(e) Market risk (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, 2017	% of Investments December 31, 2016
Oil and gas	24.6%	9.4%
Energy services	21.9%	9.4%
Industrial services	13.8%	25.1%
Real estate development	13.8%	15.8%
Retail	8.5%	-
Services	8.4%	9.5%
Transportation	4.4%	-
Manufacturing	3.9%	-
Pharmaceuticals	0.7%	19.6%
Healthcare	-	11.2%
Total	100%	100%

6. Provision for performance bonus:

The Corporation has asset performance bonus pool ("APBP") arrangements for certain individuals and entities, primarily employees and pre-IPO shareholders (the "Pre-IPO APBP Participants"), collectively "APBP Participants". For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund accrue to the Corporation as performance fee distributions.

Prior to the closing of the IPO, the Corporation committed to pay 100% of performance fee distributions accrued to June 30, 2015 from NCOF II and NCOF II (Parallel) to the Pre-IPO 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 Pre-IPO APBP Participants who are employees with the other 50% retained by the Corporation.

Allocation of the units of the APBP relating to CCF IV LP commenced in 2015 and will continue until 2022 with 50% of performance fees recognized by the fund allocated to employees.

Performance bonus amounts will be paid to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners in the related investment funds.

During the year ended December 31, 2017, the Corporation received $1,044 in relation to performance fee distributions from NCOF II (Parallel) prior to the dissolution of this investment fund, of which $819 was recognized as performance bonus expense.

As at December 31, 2017, the Corporation had accrued a provision for performance bonus payable of $2,665 (December 31, 2016 - $2,910), including $742 (December 31, 2016 – $2,349) relating to performance fees received from NCOF II, $242 (December 31, 2016 - $nil) relating to performance fees received from NCOF II (Parallel) and $1,681 (December 31, 2016 - $561) relating to performance fees accrued to date by CCF IV LP. The amounts relating to NCOF II and NCOF II (Parallel), which were dissolved June 30, 2017, were withheld as a provision for contingencies, if any, relating to the funds which are expected to be resolved prior to March 31, 2018 at which time the remaining provision will be paid to the APBP participants.

7. Share capital:

The authorized share capital of the Corporation consists of an 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 April 8, 2016, the Corporation commenced a normal course issuer bid (“NCIB”) to purchase during the next twelve months up to 620,000 common shares, representing approximately 6.5% of its issued and outstanding shares as at April 6, 2016. On April 10, 2017, the Corporation renewed the NCIB to purchase up to 310,000 common shares, representing approximately 3.3% of its issued and outstanding shares as at April 4, 2017, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation’s option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled.

During the year ended December 31, 2017, the Corporation purchased and cancelled a total of 43,016 shares for total consideration of $422, (for the year ended December 31, 2016 – 16,178 shares for $146). Total shares purchased and cancelled under the current NCIB up to December 31, 2017 was 35,616.

During the year ended December 31, 2017, the Corporation issued 38,274 shares as vested share-based compensation. During the year ended December 31, 2016, the Corporation issued 42,843 shares as vested share-based compensation (see Note 8).

During the year ended December 31, 2017, the Corporation paid dividends of $0.50 per share (December 31, 2017 - $0.44 per share) for a total payment of $4,762 (2016 - $4,182).

8. Share-based compensation:

The Corporation issues performance share units ("PSUs"), restricted share units ("RSUs"), Transition Restricted Share Units ("TRSUs") and Retainer Restricted Share Units ("RRSUs"), collectively "Share Units", to key management personnel, directors and employees. The PSUs vest when certain performance objectives are achieved. TRSUs all vest on July 9, 2018. RSUs issued to employees vest on July 9, 2018, January 1, 2019 and January 3, 2020 provided the holder of the RSUs remains an employee of the Corporation. RSUs issued to directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation. RRSUs are issued only to directors and vest immediately upon grant and, on the grant date, each is exchanged for one common share of the Corporation.

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

Stock options granted are valued using a Black-Scholes formula and the expense is recognized over the vesting period. The stock options vest over a three-year period and have a five-year term and an exercise price of $11.00. As at December 31, 2017, 293,051 (December 31, 2016, 142,707) stock options had vested but had not been exercised and an additional 178,343 (December 31, 2016, 303,687) stock options which had not vested remained outstanding.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

8. Share-based compensation (continued):

The tables below detail the share-based compensation expense recognized in the year ended December 31, 2017 and 2016. Share-based compensation expense is recognized over the expected vesting period of each award.

For the year ended December 31, 2017						
	Number outstanding at January 1, 2017	Issued in the year	Vested or exercised	Forfeited	Number outstanding at December 31, 2017	Expensed in the year
TRSUs [1]	190,976	9,749	-	-	200,725	$ 696
PSUs [2]	46,410	43,377	(51,361)	-	38,426	507
RSUs [2]	51,677	39,013	(10,480)	-	80,210	314
RRSUs	-	5,115	(5,115)	-	-	55
Total Share Units	289,063	97,254	(66,956)	-	319,361	1,572
Stock options	446,394	31,818	-	(6,818)	471,394	111
Total	735,457	129,072	(66,956)	(6,818)	790,755	$ 1,683

[1] The TRSUs issued in the period were units issued in lieu of dividends on the underlying securities.
[2] The PSUs and RSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

8. Share-based compensation (continued):

For the year ended December 31, 2016						
	Number outstanding at January 1, 2016	Issued in the year	Vested or exercised	Forfeited	Number outstanding at December 31, 2016	Expensed in the year
TRSUs [1]	181,818	9,158	-	-	190,976	$ 589
PSUs [2]	36,528	52,034	(37,447)	(4,705)	46,410	493
RSUs [2]	29,168	37,950	(6,058)	(9,383)	51,677	202
RRSUs	-	17,882	(17,882)	-	-	162
Total Share Units	247,514	117,024	(61,387)	(14,088)	289,063	1,446
Stock options	491,849	-	-	(45,455)	446,394	217
Total	739,363	117,024	(61,387)	(59,543)	735,457	$ 1,663

[1] The TRSUs issued in the period were units issued in lieu of dividends on the underlying securities.
[2] The PSUs and RSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

9. Share purchase loans:

The Corporation has an Executive Share Purchase Plan (the "Share Purchase Plan") whereby the Board can approve loans to Participants for the purpose of purchasing the Corporation's common shares in the open market. The following must be paid directly to the Corporation on behalf of management in repayment of interest and principal on these loans: all dividend distributions on the common shares, all annual performance incentive plan payments to Participants in excess of target bonus payouts, and all proceeds from the sale of the common shares.

During the year ended December 31, 2017, the Corporation advanced $2,250 of new loans under the Share Purchase Plan and $42 of principal was repaid. As at December 31, 2017, $2,226 of loans were outstanding (December 31, 2016 - $nil), including accrued interest of $18. The loans under the Share Purchase Plan bear interest at prime (3.2% as at December 31, 2017), mature on June 3, 2024 and are personally guaranteed by Participants. The shares are pledged as security for the loans and had a fair value of $2,126 as at December 31, 2017.

10. Credit facility:

On December 30, 2016, the Corporation entered into an agreement for a $35 million senior secured revolving credit facility (the "Credit Facility") with Alberta Treasury Branches and Business Development Bank of Canada. The Corporation will use the Credit Facility to fund investments in mid-market corporations. The Credit Facility provides financing at a variable interest rate based on Bankers Acceptance rate plus 375 bps to 425 bps and has a customary set of covenants. The Credit Facility matures on December 30, 2019 and is subject to a one year extension annually on each December 30. As of December 31, 2017, $nil (December 31, 2016, $nil) has been drawn on the Credit Facility.

In relation to the Credit Facility, the Corporation incurred $819 of deferred financing costs which are being amortized over the initial three-year term. During the year ended December 31, 2017, $559 (December 31, 2016 - $nil) was expensed as finance costs relating to the Credit Facility including amortized deferred financing costs of $283 and standby fees of $276.

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

11. 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 RSUs and the balance can be received as either additional RSUs or cash at the Director's discretion. RSUs issued as part of the annual retainer vest immediately on issuance. Other RSUs issued to Directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation.

Key management personnel compensation for the years ended December 31, 2017 and 2016 is comprised of:

Years ended December 31,	2017	2016
Salaries, management fees and benefits	$ 1,882	$ 1,698
Share-based compensation	1,448	1,470
Performance bonus expense (Note 6)	1,908	793
	$ 5,238	$ 3,961

(b) Other related party transactions:

(i) Pursuant to limited partnership agreements, NCOF LP and NCOF II (Parallel), (each a "Fund" and, collectively, the "Funds"), pay management fees to the Corporation for management services provided. During the year ended December 31, 2017, management fees earned from the Funds amounted to $216 (2016 - $295) and is included in fees and other income. NCOF II (Parallel) was dissolved on June 30, 2017.

At December 31, 2017, accounts receivable includes $392 due from the Funds (2016 - $256).

(ii) Pursuant to limited partnership agreements, NCOF II and CCF IV LP also pay management fees to the Corporation for management services provided. Management fees paid to the Corporation by NCOF II and CCF IV LP are eliminated on consolidation.

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

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

12. Non-controlling interests (NCI):

As at	December 31, 2017		
	NCOF II	**CCF IV LP**	**Total**
NCI percentage	30.25%	63.5%[1]	
Beginning balance, January 1, 2017	$ 5,616	$ 68,295	$ 73,911
Net income and comprehensive income	350	10,986	11,336
Contributions	-	69,521	69,521
Distributions	(5,966)	(30,408)	(36,374)
Balance, December 31, 2017	-	118,394	118,394

1. NCI percentage in CCF IV increased from 60% to 65% effective January 1, 2017 and decreased to 63.5% from 65% effective July 1, 2017.

As at	December 31, 2016		
	NCOF II	**CCF IV**	**Total**
NCI percentage	30.25%	60.0%[1]	
Beginning balance, January 1, 2016	$ 6,407	$ 18,164	$ 24,571
Net income and comprehensive income	1,060	3,573	4,633
Contributions	-	49,122	49,122
Distributions	(1,851)	(2,564)	(4,415)
Balance, December 31, 2016	$ 5,616	$ 68,295	$ 73,911

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

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

13. Income taxes:

The Corporation's reconciliation of income tax expense based on the statutory income tax rate to the income tax expense recorded in the financial statement is as follows:

Years ended December 31,	2017	2016
Earnings before income tax	$ 20,867	$ 12,120
Statutory income tax rate	26.5%	26.5%
Income tax at statutory income tax rate	5,530	3,212
Non-deductible expenses and other	(95)	11
Non-deductible share compensation expense	365	395
Non-controlling interest share of income [1]	(3,004)	(1,228)
Income tax	$ 2,796	$ 2,390

[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 mainly from the financing costs associated with the credit facility (see Note 10) and 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 financing costs relating to the credit facility are being amortized over the three-year loan period for accounting. The table below outlines the changes in deferred tax balances.

As at	**December 31, 2017**			
	Balance January 1, 2017	Recognized in profit and loss	Recognized through equity	Balance December 31, 2017
Office equipment	$ 2	$ -	$ -	$ 2
Financing costs - IPO	1,187	(337)	-	850
Financing costs – Credit Facility	(48)	27	-	(21)
Loan cost base	90	(90)	-	-
Performance bonus	311	134	-	445
Partnership earnings timing difference	(3)	(562)	-	(565)
	$ 1,539	$ (828)	$ -	$ 711

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

13. Income taxes (continued):

As at	December 31, 2016			
	Balance January 1, 2016	Recognized in profit and loss	Recognized through equity	Balance December 31, 2016
Office equipment	$ 2	$ -	$ -	$ 2
Financing costs - IPO	1,525	(338)	-	1,187
Financing costs – Credit Facility	-	(48)	-	(48)
Loan cost base	90	-	-	90
Performance bonus	68	243	-	311
Partnership earnings timing difference	-	(3)	-	(3)
	$ 1,685	$ (146)	$ -	$ 1,539

14. Net change in non-cash working capital:

Years ended December 31,	2017	2016
Accounts receivable	$ (1,301)	$ (1,432)
Prepaid expenses	3	(1)
Accounts payable and accrued liabilities	(483)	1,111
Deferred interest revenue	-	(1,751)
Income tax payable	(951)	(283)
Total	$ (2,732)	$ (2,356)
Net change attributable to operating activities	(1,943)	(3,145)
Net change attributable to financing activities	(789)	789

15. Subsequent events:

On January 17, 2018, CCF IV LP provided a $33 million, 60-month loan to Baylin Technologies Inc. (“Baylin”) with an interest rate of 9.0% per annum. Upon closing, CCF IV LP syndicated $3.0 million of the Baylin loan to two of its limited partners. In addition, a total of 682,500 common share purchase warrants of Baylin were issued to CCF IV LP and its syndicate partners.

On February 6, 2018, Crown announced a quarterly dividend of $0.15 per Common Share payable on March 2, 2018 to Shareholders of record on February 16, 2018.

Corporate Directory

DIRECTORS

George Fowlie, MBA
Chair of the Board

Robert Gillis, CPA, CA
Director

Christopher A. Johnson, CFA
Director

Glen Roane, MBA, ICD.D
Director

Alan Rowe, CPA, CA
Director

Peter Snucins
Director

OFFICERS

Christopher A. Johnson, CFA
President and
Chief Executive Officer

Brent G. Hughes, CFA
Executive Vice President,
Chief Compliance Officer

Michael Overvelde, CA, CPA, CFA
Senior Vice President,
Chief Financial Officer

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

SHAREHOLDER INFORMATION

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

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

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1 (866) 393-4891 ext. 205 or
TMXEInvestorServices@tmx.com

Legal Counsel
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