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Condensed Consolidated Interim Financial Statements of

**CROWN CAPITAL PARTNERS INC.**

Three and nine months ended September 30, 2022 and  
2021

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# CROWN CAPITAL PARTNERS INC.

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

(expressed in thousands of Canadian dollars)

As at	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,790	\$ 10,842
Accounts receivable	13,203	6,056
Prepaid expenses and deposits	4,214	1,721
Inventory	1,197	1,108
Lease earn-out note receivable (Note 4)	569	4,603
Current portion of investments (Note 5)	-	1,750
Current portion of net investment in leased distributed power equipment (Note 6)	682	578
	27,655	26,658
Non-current assets:		
Investments (Note 5)	2,101	2,601
Investment in Crown Partners Fund (Note 7)	36,848	47,369
Customer contracts (Note 8)	7,608	5,866
Property and equipment (Note 9)	29,383	14,279
Net investment in leased distributed power equipment (Note 6)	10,929	8,986
Property and equipment under development and related deposits (Note 10)	41,312	34,063
Deferred income taxes	1,023	-
Goodwill	293	293
	\$ 157,152	\$ 140,115
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,134	\$ 6,931
Income taxes payable	151	525
Contingent consideration	1,600	1,600
Network services vendor note payable	136	612
Current portion of deferred revenue	1,052	1,059
Current portion of mortgages payable (Note 11)	-	12,450
Current portion of lease obligations	2,771	1,282
Current portion of convertible debentures - liability component (Note 15)	19,657	-
	37,501	24,459
Non-current liabilities:		
Deferred revenue	944	1,231
Mortgages payable (Note 11)	11,900	-
Lease obligations	11,521	644
Deferred compensation (Note 12)	1,354	1,063
Provision for performance bonus (Note 13)	3,293	4,597
Credit facilities (Note 14)	14,076	(334)
Convertible debentures - liability component (Note 15)	-	19,334
Long-term debt	2,984	150
Deferred income taxes	-	1,100
Non-controlling interests (Note 17)	19,645	18,796
	103,218	71,040
<b>Equity</b>		
Share capital (Note 18)	48,281	60,693
Convertible debentures - equity component (Note 15)	483	483
Contributed surplus	15,183	15,180
Translation reserve	35	-
Deficit	(10,048)	(7,281)
	53,934	69,075
	\$ 157,152	\$ 140,115
<b>Commitments and contingencies (Note 22)</b>		

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

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

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
<b>Revenues</b>				
Network services revenue	\$ 7,522	\$ 7,445	\$ 20,648	\$ 20,674
Interest revenue	409	278	1,090	12,950
Fees and other income	428	151	1,485	1,627
Distribution services revenue	6,971	-	7,543	-
Net (loss) gain on investments				
Net realized (loss) gain from investments	-	-	(1,268)	86
Net change in unrealized gain (loss) of investments	-	-	1,270	(322)
	15,330	7,874	30,768	35,015
<b>Share of earnings (losses) of Crown Partners Fund (Note 7)</b>	136	1,959	(3,976)	1,959
<b>Expenses</b>				
Salaries and benefits	4,356	2,790	8,146	6,444
Share-based compensation (Note 12)	123	(46)	377	593
Performance bonus (recovery) expense (Note 13)	(7)	172	(1,304)	751
General and administration	1,792	715	3,375	2,480
Foreign exchange gain	(359)	(5)	(327)	-
Cost of network services revenue	3,528	3,209	9,643	9,480
Cost of distribution services revenue	4,160	-	4,443	-
Depreciation	2,223	1,026	4,165	2,886
Provision for bad debt	12	-	12	81
(Recovery of) provision for expected credit losses	(566)	19	(590)	2,380
Finance costs (Note 16)	1,227	669	2,468	3,510
Impairment of property and equipment (Note 9)	350	166	350	237
Impairment of distributed power equipment under development and related deposits (Note 10)	3,291	-	3,291	-
	20,130	8,715	34,049	28,842
<b>Income (loss) before other adjustments and income taxes</b>	(4,664)	1,118	(7,257)	8,132
Gain on acquisition (Note 19)	16	-	73	73
Gain on derecognition of subsidiary	-	1,588	-	1,588
Remeasurement of financial instruments (Note 4)	115	(2,046)	144	(2,046)
Non-controlling interests (Note 17)	1,993	(131)	1,699	(6,247)
<b>Income (loss) before income taxes</b>	(2,540)	529	(5,341)	1,500
Income taxes				
Current tax expense (recovery)	337	(178)	1,114	406
Deferred tax recovery	(755)	(137)	(2,245)	(716)
	(418)	(315)	(1,131)	(310)
<b>Net (loss) income</b>	(2,122)	844	(4,210)	1,810
<b>Other comprehensive income</b>				
<b>Items that will be reclassified subsequently to net income</b>				
Foreign currency translation adjustment	35	-	35	-
<b>Comprehensive income (loss)</b>	\$ (2,087)	\$ 844	\$ (4,175)	\$ 1,810
Earnings (loss) per share attributable to shareholders				
Basic	\$ (0.38)	\$ 0.10	\$ (0.70)	\$ 0.20
Diluted	\$ (0.38)	\$ 0.10	\$ (0.70)	\$ 0.20
Weighted average number of shares, basic	5,642,546	8,593,542	6,002,945	8,883,945
Weighted average number of shares, diluted	5,642,546	8,593,542	6,002,945	8,883,945

See accompanying notes to consolidated financial statements.

## CROWN CAPITAL PARTNERS INC.

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

For the nine months ended September 30, 2022 and 2021

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

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Translation reserve	Retained earnings (deficit)	Total Equity
Balance as at January 1, 2021	9,056,468	\$ 77,470	\$ 483	\$ 15,716	\$ -	\$ (12,495)	\$ 81,174
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	-	-	1,810	1,810
Share-based compensation (Note 12)	-	-	-	(257)	-	-	(257)
Cash-settled share-based compensation (Note 12)	-	-	-	(98)	-	47	(51)
Issuance of common shares (Note 18)	18,951	184	-	(184)	-	-	-
Shares repurchased (Note 18)	(648,584)	(5,549)	-	-	-	1,862	(3,687)
<b>Balance as at September 30, 2021</b>	<b>8,426,835</b>	<b>\$ 72,105</b>	<b>\$ 483</b>	<b>\$ 15,177</b>	<b>\$ -</b>	<b>\$ (8,776)</b>	<b>\$ 78,989</b>
Balance as at January 1, 2022	7,093,102	\$ 60,693	\$ 483	\$ 15,180	\$ -	\$ (7,281)	\$ 69,075
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	-	(4,210)	(4,210)
Other comprehensive income for the period	-	-	-	-	35	-	35
Share-based compensation (Note 12)	-	-	-	3	-	-	3
Shares repurchased (Note 18)	(1,450,556)	(12,412)	-	-	-	1,443	(10,969)
<b>Balance as at September 30, 2022</b>	<b>5,642,546</b>	<b>\$ 48,281</b>	<b>\$ 483</b>	<b>\$ 15,183</b>	<b>\$ 35</b>	<b>\$ (10,048)</b>	<b>\$ 53,934</b>

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

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

(expressed in thousands of Canadian dollars)

For the nine months ended September 30,	2022	2021
Cash provided by (used in) operating activities		
Net (loss) income	\$ (4,210)	\$ 1,810
Non-controlling interests (Note 17)	(1,699)	6,247
Adjustments for:		
Net realized loss (gain) from investments	1,268	(86)
Net change in unrealized (gain) loss in fair value of investments	(1,270)	322
Gain on derecognition of subsidiary	-	(1,588)
Share of losses (earnings) of Crown Partners Fund (Note 7)	3,976	(1,959)
Income distributions received from Crown Partners Fund	3,430	10,779
Interest income	(1,090)	(12,950)
Interest income received in the period	618	11,025
(Recovery of) provision for expected credit losses	(590)	2,380
Non-cash finance fees	(172)	-
Amortization of deferred finance costs (Note 16)	652	617
Depreciation	4,165	2,886
Current income tax expense	1,114	406
Income taxes paid, net of refunds received	(1,488)	538
Deferred income tax recovery	(2,245)	(716)
Share-based compensation, net of cash settlements	377	(547)
Performance bonus (recovery) expense (Note 13)	(1,304)	751
Provision for bad debt	12	81
Impairment of property and equipment (Note 9)	350	237
Impairment of distributed power equipment under development and related deposits (Note 10)	3,291	-
Remeasurement of financial instruments (Note 4)	(144)	2,046
Gain on acquisition (Note 19)	(73)	(73)
Proceeds from repayment of lease earn-out note receivable (Note 4)	4,942	-
Net change in non-cash working capital (Note 20)	(4,154)	2,724
	5,756	24,930
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	502	10,732
Proceeds from sale of equity securities	-	1,927
Addition of investments	(2,063)	(827)
Sale of Crown Partners Fund LP units to non-controlling interests	-	20,697
Capital distributions received from Crown Partners Fund	2,710	-
Purchase of property and equipment	(2,048)	(1,247)
Acquisition of subsidiaries, net of cash acquired (Note 19)	621	(288)
Lease payments received on distributed power equipment	299	364
Additions to, net of proceeds from sale of, property and equipment under development and related deposits	(12,775)	3,926
	(12,754)	35,284
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Power Fund (Note 17)	2,842	-
Distributions paid by Crown Partners Fund to non-controlling interests	-	(4,765)
Distributions paid by Crown Power Fund to non-controlling interests	(294)	(5,630)
Payments of lease obligations	(858)	(1,002)
Repayment of network services vendor note payable	(476)	(572)
Credit facility advances, net of repayments (Note 14)	14,300	(38,900)
Repayment of mortgages payable, net of advances	(550)	-
Repayments of long-term debt	(90)	-
Shares repurchased (Note 18)	(10,969)	(3,687)
Deferred financing costs (Note 14)	(16)	(483)
	3,889	(55,039)
Effect of foreign exchange rate difference on cash	57	-
Increase (decrease) in cash and cash equivalents	(3,052)	5,175
Cash and cash equivalents, beginning of period	10,842	19,150
Derecognition of cash and cash equivalents of subsidiary	-	(8,189)
Cash and cash equivalents, end of period	\$ 7,790	\$ 16,136
Supplemental cash flow information:		
Interest paid in the period	\$ 1,816	\$ 2,894

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 1. Reporting entity:

Crown Capital Partners Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation makes strategic investments, provides investment management services and co-invests in certain of its managed funds. The Corporation's registered office is 700 2<sup>nd</sup> Street S.W., Suite 19-131, Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2022 and 2021 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (September 30, 2021 – 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (September 30, 2021 – 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- A 100% interest (September 30, 2021 – 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the general partner of Crown Private Credit Fund;
- A 100% interest (September 30, 2021 – 100%) in Crown Capital LP Partner Funding Inc. ("CCPF MI"), the general partner of Crown Capital Partner Funding, LP ("Crown Partners Fund") and Crown Capital Fund IV Investment, LP ("CCF IV Investment");
- A 100% interest (September 30, 2021 – 100%) in Crown Capital Fund III Management Inc. ("CCF III"), the general partner and manager of Norrep Credit Opportunities Fund, LP ("NCOF LP");
- A 100% interest (September 30, 2021 – 100%) in 10824356 Canada Inc. ("Crown Power Fund GP"), the general partner of Crown Capital Power Limited Partnership ("Crown Power Fund");
- Through CCFC, an interest of 43.2% (September 30, 2021 – 43.2%) in Crown Power Fund;
- A 100% interest (September 30, 2021 – 100%) in WireIE Holdings International Inc., WireIE (Canada) Inc. and WireIE (Development) Inc. (hereinafter collectively referred to as "WireIE");
- An effective interest of 85.8% (September 30, 2021 – 85.8%) in Onsite Power Partners Ltd. ("Onsite Power"), including a direct 75% interest in addition to a 25% interest held through Crown Power Fund;
- A 100% interest (September 30, 2021 – 100%) in WireIE Inc. ("WireIE Inc.");
- A 100% interest (September 30, 2021 – 100%) in Galaxy Broadband Communications Inc. ("Galaxy");
- A 100% interest (September 30, 2021 – 100%) in PenEquity Development GP Inc., the general partner of PenEquity Development Limited Partnership ("PDLP");
- Through Crown Private Credit Fund, a 100% interest (September 30, 2021 – 100%) in PDLP;
- Through PDLP, a 100% interest in PRC Stoney Creek Corp. ("PSCC");
- A 100% interest in Community Network Partners Inc. ("CNP");
- Through PDLP, a 100% interest in PRC Barrie Corp. ("PBC");
- Through Crown Private Credit Fund, a 100% interest in Lumbermens Credit Group Ltd. ("Lumbermens");

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 1. Reporting entity (continued):

- Effective July 13, 2021, an effective interest of 28.0% in Crown Partners Fund as an investment in associate (see Note 7). Prior to July 13, 2021, through CCFC, an effective interest of 36.5% (January 1, 2021 to March 30, 2021 – 38.8%, March 31, 2021 to July 12, 2021 – 36.5%) in Crown Partners Fund as a subsidiary;
- Effective July 13, 2021, a 12.5% interest in Crown Private Credit Partners Inc. (“CPCP”) as an investment carried at fair value through profit or loss (“FVTPL”). Prior to July 13, 2021, a 100% interest from April 8, 2021 to July 12, 2021 as a subsidiary; and
- Effective June 24, 2022, a 100% interest in Go Direct Global Inc. (“Go Direct Global”) and its wholly-owned subsidiaries, Go Direct Supply Chain Solutions Inc. (“Go Direct SCS”) and Go Direct America Inc. (“Go Direct America”).

## 2. Basis of preparation:

### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation’s financial position and results of operations since the last annual consolidated financial statements as at and for the year ended December 31, 2021. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2021.

These condensed consolidated interim financial statements were authorized for issue by the Corporation’s Board of Directors on November 9, 2022.

### (b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, other than investments and certain share-based awards carried at FVTPL.

### (c) Functional and presentation currency:

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

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

The preparation of the condensed consolidated interim financial statements in accordance with the financial reporting framework requires management to make judgments, estimates and assumptions that affect the application of the Corporation’s accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the reporting date. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 2. Basis of preparation (continued):

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

The significant judgments made by management in applying the Corporation's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2021.

### (e) Fair value of financial instruments:

A number of the Corporation's accounting policies require the measurement of fair values, for financial assets and liabilities.

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.

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

The lease earn-out note receivable representing entitlements to future cash flows in respect of PSCC's sale of a commercial property interest is valued based on the expected cash flows arising from future earnings on leasing activity.

The carrying values of the net investment in leased distributed power equipment, network services vendor note payable, mortgages payable, lease obligations, credit facilities and long-term debt approximate their fair values due to the market interest rates on the loans.

Contingent consideration in relation to the Galaxy acquisition is valued using the discounted present value of aggregate expected cash flows in excess of prescribed percentages of cumulative earnings and revenues arising from the Corporation's investment in Galaxy.

The deferred compensation liability is measured based on the market value of the Corporation's share price with the impact of any resultant change included in share-based compensation expense in the period.

### (f) Reclassification of prior period presentation:

Certain comparative figures have been reclassified to conform with the current period's presentation.



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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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### 3. Significant accounting policies:

The accounting policies applied to these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2021, except for the policies detailed below.

Significant accounting policies adopted in the period:

(a) Foreign currency translation

(i) Transactions and balances

Transactions in foreign currencies are translated into the functional currency of the Corporation and its subsidiaries using exchange rates in effect at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising from changes in rates of translation are generally recognized in income or loss in the period incurred.

(ii) Foreign operations

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries with a functional currency different from the Corporation's presentation currency are translated as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates. The Corporation uses monthly average exchange rates due to the volume of transactions each month; and
- all resulting exchange differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to income or loss as part of the gain or loss on disposal. If the Corporation disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 3. Significant accounting policies (continued):

### (b) Revenue recognition

#### (i) Distribution services revenue recognition

Distribution services revenue relates to services provided for end-to-end integrated e-commerce, fulfillment and distribution. Distribution services revenue is recognized as the related service is rendered and to the extent the performance obligations to the customer have been satisfied.

The contracts with customers do not have a significant financing component. Payments are typically due 30-60 days from the billing date and invoices are typically rendered on a monthly basis.

### (c) Property and equipment under development and related deposits

Property and equipment under development and related deposits includes (i) property under development comprising the carrying value of property owned by the Corporation that is in the course of development; (ii) distributed power equipment under development and related deposits comprising the carrying value of distributed power assets owned by Crown Power Fund that are in the course of construction; and (iii) network services equipment under development comprising the carrying value of network services equipment owned by the Corporation that is in the course of development.

Network services equipment under development is recorded at cost plus all expenditures incurred to date that are necessary to bring the asset to working condition for its intended use, less any accumulated impairment losses.

At each reporting date, the carrying amounts of network services equipment under development is reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows on the related network services contracts, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The equipment is not subject to depreciation until completion of its development phase, at which point the equipment is reclassified as part of property and equipment and measured at cost less any accumulated impairment losses.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 4. Lease earn-out note receivable:

The lease earn-out note receivable represents entitlements to future cash flows in respect of PSCC's sale of its interest in a grocery-anchored community retail plaza located in Hamilton, Ontario. The entitlements to future cash flows are based on leases secured by PSCC in respect of a prescribed area of available density as at September 30, 2021, and are valued based on expected cash flows, which considers the expected future payments, net of expected costs, in relation to this arrangement. The lease earn-out note receivable is classified as a Level 3 financial instrument. During the nine months ended September 30, 2022, the lease earn-out note receivable decreased by \$4,034 to \$569 due to cash proceeds received of \$4,942, net of a remeasurement gain of \$144 and a reclassification of \$764 of estimated associated costs to accounts payable and accrued liabilities. In the three and nine months ended September 30, 2021, the fair value of the lease earn-out note receivable declined by \$1,821 to \$4,447 due to a revised estimate of the related future cash flows.

## 5. Investments:

As at	September 30, 2022	December 31, 2021
Investments at FVTPL:		
Canadian debt security at FVTPL	\$ -	\$ 500
Canadian equity security	25	25
Total Investments at FVTPL	25	525
Canadian debt securities at amortized cost	17,748	19,498
Allowance for credit losses	(15,672)	(15,672)
Total Investments at amortized cost, net of allowance for credit losses	2,076	3,826
Total Investments	\$ 2,101	\$ 4,351
Current portion	-	(1,750)
<b>Non-current portion</b>	<b>\$ 2,101</b>	<b>\$ 2,601</b>

For investments carried at FVTPL, the amounts are classified in the fair value hierarchy based on the values recognized in the condensed consolidated interim statement of financial position. The Canadian debt security at FVTPL is valued based on the estimated recoverable amount and the Canadian equity security is valued based on its transaction price. As at September 30, 2022, total investments at FVTPL of \$25 (December 31, 2021 - \$525) and total investments at amortized cost, net of allowance for credit losses, of \$2,076 (December 31, 2021 - \$3,826) are classified as Level 3 financial instruments. There were no transfers between levels during the three months ended September 30, 2022. The carrying value of investments at amortized cost, net of allowance for credit losses, approximates its fair value.

The total gross carrying value of Canadian debt securities at amortized cost is \$17,748 (December 31, 2021 - \$19,498) which are classified as Stage Three (December 31, 2021 - \$1,750 and \$17,748, Stage One and Stage Three respectively). There were no changes in, or transfers between stages during the three and nine months ended September 30, 2022.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 5. Investments (continued):

The following tables reconcile opening balances to closing balances for fair value measurements of investments carried at FVTPL in Level 3 of the fair value hierarchy as at and for the nine months ended September 30, 2022 and September 30, 2021:

For the nine months ended	September 30, 2022	September 30, 2021
<b>Level 3 securities at FVTPL</b>		
Opening balance	\$ 525	\$ 74,015
Additions	-	25
Repayments	(502)	-
Realized losses	(1,268)	-
Derecognition of subsidiary <sup>1</sup>	-	(72,037)
Net change in unrealized gains (losses)	1,270	(1,478)
<b>Ending balance</b>	<b>\$ 25</b>	<b>\$ 525</b>

<sup>1</sup> The assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 7).

## 6. Net investment in leased distributed power equipment:

The Corporation entered into two finance lease contracts in the three months ended September 30, 2022 and three finance lease contracts in the nine months ended September 30, 2022 (September 30, 2021 – nil and one, respectively) upon completion of the development of the related distributed power assets. There was no resultant gain or loss on reclassification of the distributed power equipment under development to net investment in leased distributed power equipment.

For the three and nine months ended September 30, 2022, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of \$230 and \$621 (for the three and nine months ended September 30, 2021 - \$194 and \$589, respectively).

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 6. Net investment in leased distributed power equipment (continued):

The following table sets out a maturity analysis of its net investment in leased distributed power equipment, showing the undiscounted lease payments to be received as at the reporting date.

	September 30, 2022	December 31, 2021
Less than one year	\$ 1,449	\$ 1,330
One to two years	1,598	1,330
Two to three years	1,598	1,330
Three to four years	1,598	1,330
Four to five years	1,598	1,330
Greater than five years	9,376	7,170
Total undiscounted lease payments	17,217	13,820
Unearned finance income	(7,114)	(5,359)
Undiscounted unguaranteed residual value	1,627	1,200
Net investment in leased distributed power equipment, before allowance for credit loss	11,730	9,661
Allowance for credit loss	(119)	(97)
Net investment in leased distributed power equipment	\$ 11,611	\$ 9,564
Current portion	(682)	(578)
<b>Non-current portion</b>	<b>\$ 10,929</b>	<b>\$ 8,986</b>

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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 7. Investment in Crown Partners Fund:

The investment in Crown Partners Fund is comprised of the sum of the carrying values of the Corporation's limited partnership and general partnership interests. Crown Partners Fund is a limited partnership registered and domiciled in Canada. The principal activity of Crown Partners Fund is investment in loans to mid-market Canadian corporations. Crown Partners Fund is not publicly listed.

The Corporation has an effective interest of 28.0% in the limited partnership units of Crown Partners Fund and, through its 100% interest in CCPF MI, it is the general partner of Crown Partners Fund. Whereas the Corporation had previously consolidated Crown Partners Fund as a subsidiary, effective as of July 13, 2021 (the "Transaction Date"), the assets and liabilities of Crown Partners Fund and any related non-controlling interests were derecognized and the consolidation of its financial performance was discontinued with the Corporation's retained interest in Crown Partners Fund subsequently recognized as an investment in associate accounted for using the equity method.

As the general partner, the Corporation is entitled to receive a performance fee distribution equal to 20% of cumulative investment returns in excess of an annual rate of return of 8% earned by Crown Partners Fund, subject to the terms of the limited partnership agreement of Crown Partners Fund. The accrued value of this performance fee as at September 30, 2022 of \$6,586 (December 31, 2021 - \$9,194) represents the carrying value of the Corporation's general partnership interest. As at September 30, 2022, the Corporation had accrued a provision for performance bonus of \$3,293 (December 31, 2021 - \$4,597) which represents the 50% portion that would be paid to participants in the asset performance bonus pool of Crown Partners Fund (see Note 13).

The fair value of the investment in Crown Partners Fund of \$36,811 as at September 30, 2022 (December 31, 2021 - \$47,332) is measured based on the net asset value of Crown Partners Fund as determined by the investment manager of Crown Partners Fund. The underlying investment portfolio of Crown Partners Fund is comprised of Canadian debt securities measured at amortized cost and investments measured at FVTPL including Canadian debt securities, Canadian equity securities and other investments such as royalty arrangements. As at September 30, 2022, investments held by Crown Partners Fund in the form of Canadian debt securities have coupon interest rates ranging from 10.0% to 12.5% per annum and effective interest rates ranging from 10.0% to 15.8% (December 31, 2021 - 10.0% to 12.5% and 10.0% to 14.0% respectively) for debt securities carried at amortized cost.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 7. Investment in Crown Partners Fund (continued):

The following tables show the movement in the carrying value of the investment in Crown Partners Fund for the nine months ended September 30, 2022 and September 30, 2021:

<b>As at and for the nine months ended September 30,</b>		<b>2022</b>	
<b>Crown Partners Fund</b>	Limited partnership interest	General partnership interest	Total
Opening balance	\$ 38,175	\$ 9,194	\$ 47,369
Share of losses <sup>1</sup>	(1,368)	(2,608)	(3,976)
Distributions	(6,545)	-	(6,545)
<b>Ending balance</b>	<b>\$ 30,262</b>	<b>\$ 6,586</b>	<b>\$ 36,848</b>

<sup>1</sup> Share of losses include an increase of \$374 to the Corporation's proportionate share of the loss attributable to limited partners of Crown Partners Fund for the three and nine months ended September 30, 2022 to reflect fair value adjustments of Canadian debt securities measured at amortized cost which were recognized by the Corporation on the derecognition of Crown Partners Fund as a subsidiary on July 13, 2021.

<b>As at and for the nine months ended September 30,</b>		<b>2021</b>	
<b>Crown Partners Fund</b>	Limited partnership interest	General partnership interest	Total
Opening balance	\$ -	\$ -	\$ -
Fair value at the Transaction Date	53,593	7,637	61,230
Share of earnings since the Transaction Date	1,616	343	1,959
Distributions since the Transaction Date	(10,387)	-	(10,387)
<b>Ending balance</b>	<b>\$ 44,822</b>	<b>\$ 7,980</b>	<b>\$ 52,802</b>

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 7. Investment in Crown Partners Fund (continued):

The following tables present summarized financial information for Crown Partners Fund prepared in accordance with IFRS:

As at	September 30, 2022	December 31, 2021
<b>Crown Partners Fund – Summary Balance Sheet Information</b>		
Investments	\$ 113,232	\$ 141,564
Other assets	5,930	5,614
Total liabilities	(4,783)	(3,409)
<b>Net assets</b>	<b>114,379</b>	<b>143,769</b>
Net assets attributable to limited partners	107,793	134,575
Net assets attributable to general partner	6,586	9,194

	For the three months ended September 30, 2022	For the nine months ended September 30, 2022
<b>Crown Partners Fund – Summary Income Statement Information</b>		
Interest revenue	\$ 2,842	\$ 9,029
Other revenue	214	529
Net loss on investments	(411)	(747)
Total operating expenses	(394)	(1,525)
Recovery of (provision for) expected credit losses	(394)	(13,450)
<b>Total increase (decrease) in net assets</b>	<b>1,857</b>	<b>(6,164)</b>
Increase (decrease) in net assets attributable to limited partners	1,871	(3,556)
Decrease in net assets attributable to general partner	(14)	(2,608)



# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 7. Investment in Crown Partners Fund (continued):

	For the three months ended September 30, 2021
<b>Crown Partners Fund – Summary Income Statement Information</b>	
Interest revenue	\$ 5,788
Other revenue	1,847
Net loss on investments	(508)
Total operating expenses	(1,177)
Recovery of (provision for) expected credit losses	177
<b>Total increase (decrease) in net assets</b>	<b>6,127</b>
Increase (decrease) in net assets attributable to limited partners	5,784
Decrease in net assets attributable to general partner	343

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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

## 8. Customer contracts:

Customer contracts are comprised of network services customer contracts, credit reporting customer contracts and distribution services customer contracts representing the fair value of service contracts assumed on the acquisitions of WireIE, Galaxy, Lumbersmen and Go Direct Global, net of amounts of accumulated depreciation and impairment, in addition to foreign currency translation adjustments recorded in respect of certain distribution services contracts.

As at	September 30, 2022			
Carrying amount	Network Services	Distribution Services	Credit Reporting	Total
Opening balance, January 1, 2022	\$ 9,493	\$ -	\$ 1,003	\$ 10,496
Additions through acquisition (Note 19)	-	3,342	-	3,342
Effect of movement in exchange rates	-	34	-	34
<b>Balance, September 30, 2022</b>	<b>\$ 9,493</b>	<b>\$ 3,376</b>	<b>\$ 1,003</b>	<b>\$ 13,872</b>

### Accumulated depreciation and impairment of customer contracts

Opening balance, January 1, 2022	\$ (4,530)	\$ -	\$ (100)	\$ (4,630)
Depreciation	(1,222)	(262)	(150)	(1,634)
<b>Balance, September 30, 2022</b>	<b>\$ (5,752)</b>	<b>\$ (262)</b>	<b>\$ (250)</b>	<b>\$ (6,264)</b>
<b>Carrying value – September 30, 2022</b>	<b>\$ 3,741</b>	<b>\$ 3,114</b>	<b>\$ 753</b>	<b>\$ 7,608</b>

As at	September 30, 2021			
Carrying amount	Network Services	Distribution Services	Credit Reporting	Total
Opening balance, January 1, 2021	\$ 9,493	\$ -	\$ -	\$ 9,493
Additions through acquisition	-	-	1,003	1,003
<b>Balance, September 30, 2021</b>	<b>\$ 9,493</b>	<b>\$ -</b>	<b>\$ 1,003</b>	<b>\$ 10,496</b>

### Accumulated depreciation and impairment of customer contracts

Opening balance, January 1, 2021	\$ (3,307)	\$ -	\$ -	\$ (3,307)
Depreciation	(917)	-	(51)	(968)
<b>Balance, September 30, 2021</b>	<b>\$ (4,224)</b>	<b>\$ -</b>	<b>\$ (51)</b>	<b>\$ (4,275)</b>
<b>Carrying value – September 30, 2021</b>	<b>\$ 5,269</b>	<b>\$ -</b>	<b>\$ 952</b>	<b>\$ 6,221</b>

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 9. Property and equipment:

As at	September 30, 2022				
	Network Co-location	Network Service Equipment	Premises and Related Equipment	Distributed Power Equipment	Total
<b>Cost</b>					
Beginning balance, January 1, 2022	\$ 4,096	\$ 11,507	\$ 1,796	\$ 7,031	\$ 24,430
Additions (disposals) <sup>1</sup>	-	379	4,758	(60)	5,077
Derecognition	(187)	(969)	-	-	(1,156)
Additions through acquisition (Note 19) <sup>2</sup>	-	-	12,209	-	12,209
Reclassification from property and equipment under development and related deposits	-	-	-	144	144
Effect of foreign exchange rate movement	-	-	597	-	597
<b>Balance, September 30, 2022</b>	<b>\$ 3,909</b>	<b>\$ 10,917</b>	<b>\$ 19,360</b>	<b>\$ 7,115</b>	<b>\$ 41,301</b>
<b>Accumulated depreciation and impairment of equipment</b>					
Beginning balance, January 1, 2022	\$(2,738)	\$(5,835)	\$(1,020)	\$ (558)	\$(10,151)
Depreciation	(652)	(954)	(923)	(2)	(2,531)
Derecognition	145	969	-	-	1,114
Impairment	-	-	-	(350)	(350)
<b>Balance, September 30, 2022</b>	<b>\$ (3,245)</b>	<b>\$ (5,820)</b>	<b>\$ (1,943)</b>	<b>\$ (910)</b>	<b>\$ (11,918)</b>
<b>Carrying value – September 30, 2022</b>	<b>\$ 664</b>	<b>\$ 5,097</b>	<b>\$ 17,417</b>	<b>\$ 6,205</b>	<b>\$ 29,383</b>

<sup>1</sup>Includes right-of-use assets with a carrying value of \$3,029.

<sup>2</sup>Includes right-of-use assets with a carrying value of \$10,195.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 9. Property and equipment (continued):

As at	September 30, 2021				
	Network Co-location	Network Service Equipment	Premises and Related Equipment	Distributed Power Equipment	<b>Total</b>
<b>Cost</b>					
Beginning balance, January 1, 2021	\$ 4,096	\$ 10,444	\$ 1,446	\$ 6,901	\$ 22,887
Additions (disposals)	-	1,114	13	120	1,247
Additions through acquisition	-	-	347	-	347
Balance, September 30, 2021	\$ 4,096	\$ 11,558	\$ 1,806	\$ 7,021	\$ 24,481
<b>Accumulated depreciation and impairment of equipment</b>					
Beginning balance, January 1, 2021	\$(1,805)	\$(4,326)	\$ (668)	\$ (137)	\$ (6,936)
Depreciation	(694)	(964)	(261)	-	(1,919)
Impairment of equipment	-	(237)	-	-	(237)
Balance, September 30, 2021	\$ (2,499)	\$ (5,527)	\$ (929)	\$ (137)	\$ (9,092)
<b>Carrying value – September 30, 2021</b>	<b>\$ 1,597</b>	<b>\$ 6,031</b>	<b>\$ 877</b>	<b>\$ 6,884</b>	<b>\$ 15,389</b>

During the three and nine months ended September 30, 2022, the Corporation recognized impairment losses in respect of distributed power equipment totaling \$350 (September 31, 2021 – impairment losses of \$237 in respect of network services equipment) in order to reflect revised estimates of recoverable value in respect of certain distributed power equipment based on recently available market prices.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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

## 10. Property and equipment under development and related deposits:

Reconciliation of carrying amount:

As at	September 30, 2022			Total
	Real estate property under development	Distributed power equipment under development and related deposits	Network equipment under development	
<b>Carrying amount</b>				
Balance, January 1, 2022	\$ 22,658	\$ 10,961	\$ 444	\$ 34,063
Additions	1,705	7,711	3,636	13,052
Reclassification to net investment in leased distributed power equipment	-	(2,368)	-	(2,368)
Reclassification to property and equipment	-	(144)	-	(144)
Impairment	-	(3,291)	-	(3,291)
<b>Balance, September 30, 2022</b>	<b>\$ 24,363</b>	<b>\$ 12,869</b>	<b>\$ 4,080</b>	<b>\$ 41,312</b>

As at	September 30, 2021			Total
	Real estate property under development	Distributed power equipment under development and related deposits		
<b>Carrying amount</b>				
Balance, January 1, 2021	\$ -	\$ 16,038	\$ -	\$ 16,038
Additions	580	4,704	-	5,284
Additions through acquisition	21,867	-	-	21,867
Reclassification to net investment in leased distributed power equipment	-	(853)	-	(853)
Disposition	-	(9,957)	-	(9,957)
<b>Balance, September 30, 2021</b>	<b>\$ 22,447</b>	<b>\$ 9,932</b>	<b>\$ -</b>	<b>\$ 32,379</b>

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 10. Property and equipment under development and related deposits (continued):

Additions to distributed power equipment under development and related deposits includes capitalized interest of \$182 and \$472 for the three and nine months ended September 30, 2022 (September 30, 2021 - \$84 and \$870).

Additions to real estate property under development includes capitalized interest of \$252 and \$857 in the three and nine months ended September 30, 2022 (September 30, 2021 - \$238 and \$556) in respect of mortgages payable.

During the three and nine months ended September 30, 2022, the Corporation recognized impairment losses totaling \$3,291 (September 31, 2021 - \$nil) in order to reflect revised estimates of the recoverable value of one distributed power project under development.

## 11. Mortgages payable:

Upon acquisition of PSCC on March 1, 2021, the Corporation assumed a mortgage payable of \$3,300, secured by the value of property under development. This mortgage payable bore interest at 8.5% per annum and was repaid in full during the three months ended March 31, 2022.

Upon acquisition of PBC on April 15, 2021, the Corporation assumed a mortgage payable of \$9,150, secured by the value of property under development, which had a maturity date of January 1, 2022 and that was extended to July 1, 2022. This mortgage payable was comprised of both fixed and variable tranches and bore interest at 13.5% per annum and a variable interest rate based on Prime Rate plus 655 bps (with a floor of 9.00%) per annum, respectively, and was repaid in full in the three months ended June 30, 2022.

Effective May 27, 2022, the Corporation entered into an agreement for a mortgage payable of \$11,900 that is secured by the value of property under development, has a maturity date of November 30, 2023, and bears interest based on Prime Rate plus 570 bps (with a floor of 8.40%) per annum.

The fair value of the portion of the mortgages payable that bear variable rates of interest approximates its carrying value due to the variable rate of interest applicable to the portion of this instrument. The fair value of the portion of the mortgages payable that bore fixed rates of interest was equal to the gross contractual amounts payable.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 12. Share-based compensation:

Effective December 20, 2019, the Corporation revised its compensation program for employees and introduced a Medium-Term Performance Unit (“MTPU”) Plan under which it issued MTPUs to employees. MTPUs vested when certain performance objectives were achieved. Vested MTPUs were settled in cash or Employee Deferred Share Units (“EDSUs”) on the date of vesting. Effective July 13, 2021, the MTPU Plan was terminated.

EDSUs may be issued to employees, subject to their prior election, in lieu of cash payments in full or partial satisfaction of any settlements in respect of annual incentive awards, performance fee allocations in respect of asset performance bonus pool arrangements and, prior to July 13, 2021, the vesting of MTPUs. EDSUs vest immediately upon grant and are redeemable no earlier than the date on which an employee ceases to be an employee, and no later than 367 days following such date. Upon redemption, EDSUs are settled by cash payments based on the market value of the EDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its EDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. As at September 30, 2022, there are no EDSUs outstanding and \$nil liability related to the EDSU settlement obligation.

A portion of compensation paid to directors consists of Director Deferred Share Units (“DDSU”) issued pursuant to a DDSU Plan. DDSUs vest immediately upon grant and are redeemable no earlier than the date at which a director ceases to be a director, and no later than December 14 in the calendar year following such date. Upon redemption, DDSUs are settled by cash payments based on the market value of the DDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its DDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. At September 30, 2022, the deferred compensation liability was \$1,354 (December 31, 2021 - \$1,063).

The Corporation issues additional DDSUs to directors in lieu of dividends on outstanding DDSUs. These DDSUs vest on the same terms as the respective units for which they were awarded. The number of DDSUs issued in lieu of dividends is based on the weighted average trading price of the common shares for a ten-day period ending at the dividend payment date.

# CROWN CAPITAL PARTNERS INC.

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

Prior to December 20, 2019, the Corporation issued performance share units (“PSUs”) and restricted share units (“RSUs”) to employees. Prior to May 8, 2018, the Corporation issued RSUs to directors. PSUs and RSUs are collectively referred to as “Share Units”. On the vesting date, each Share Unit was exchanged for one common share of the Corporation, except that the holder could elect to be compensated in cash based on the fair value of such common shares to the extent necessary to pay any tax withholdings related to the vesting of the Share Units. The PSUs vested when certain performance objectives were achieved. RSUs issued to directors vested over a three-year period from the issue date provided the holder remained a director of the Corporation. There are no PSUs or RSUs outstanding as at September 30, 2022, and the Corporation does not expect to issue PSUs or RSUs in the future.

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, have a term of seven years and an exercise price of \$10.00. During the nine months ended September 30, 2022, no stock options were granted. During the nine months ended September 30, 2021, no stock options were granted, 73,478 stock options that had vested were cancelled, and 125,742 stock options that had not vested were cancelled.

Assumptions used to determine the fair value of stock options granted by the Corporation as at the dates on which they were granted are as follows:

Risk-free interest rate	0.8%
Dividend yield	8.8%
Expected life	7 years
Grant date price	\$6.80
Exercise price	\$10.00
Volatility	25.0%

The expense is recognized over the vesting period. The fair value of the options granted was \$0.13 per option. As at September 30, 2022, 188,614 (December 31, 2021 – 94,307) stock options had vested but had not been exercised, and an additional 94,307 (December 31, 2021 – 188,614) stock options which had not vested were outstanding.



# CROWN CAPITAL PARTNERS INC.

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

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

The tables below detail the share-based compensation expense recognized in the nine months ended September 30, 2022 and 2021. Share-based compensation expense is recognized over the expected vesting period of each award.

For nine months ended September 30, 2022						
	Number outstanding at January 1, 2022	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at September 30, 2022	Expensed in the period
DDSU <sup>1</sup>	141,681	17,613	-	-	159,294	374
Stock options	282,921	-	-	-	282,921	3
<b>Total</b>	<b>424,602</b>	<b>17,613</b>	<b>-</b>	<b>-</b>	<b>442,215</b>	<b>\$ 377</b>

<sup>1</sup> The DDSUs issued in the period were new awards.

For nine months ended September 30, 2021						
	Number outstanding at January 1, 2021	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at September 30, 2021	Expensed in the period
PSUs <sup>2</sup>	29,411	-	-	(29,411)	-	\$ (249)
RSUs	29,466	-	(29,466)	-	-	-
MTPUs <sup>1,2</sup>	286,832	237,731	(176,878)	(347,685)	-	407
DDSU <sup>1</sup>	128,413	28,094	(23,587)	-	132,920	442
Total units	474,122	265,825	(229,931)	(377,096)	132,920	600
Stock options	482,141	-	-	(199,220)	282,921	(7)
<b>Total</b>	<b>956,263</b>	<b>265,825</b>	<b>(229,931)</b>	<b>(576,316)</b>	<b>415,841</b>	<b>\$ 593</b>

<sup>1</sup> The MTPUs and DDSUs issued in the period were new awards.

<sup>2</sup> The balance of PSUs outstanding expired without vesting and the balance of MTPUs were cancelled without vesting.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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

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## 13. Provision for performance bonus:

The Corporation has asset performance bonus pool (“APBP”) arrangements for certain individuals, primarily employees (“APBP Participants”). For certain investment funds of which the Corporation is the general partner, 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. The Corporation’s compensation policy provides that 50% of such performance fees will be distributed to APBP Participants with the other 50% retained by the Corporation.

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015, with a final allocation occurring on July 13, 2021. Of performance fees recognized by Crown Partners Fund, 50% is allocated to employees.

Allocation of the units of the APBP relating to Crown Power Fund commenced in 2019 and will continue until the expiration of the investment fund’s term in 2026, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Power Fund allocated to employees.

Performance bonus amounts will be paid to APBP Participants in accordance with the Limited Partnership Agreement of the investment fund, upon declaration by the General Partner of the investment fund.

As at September 30, 2022, the Corporation had accrued a provision for performance bonus payable of \$3,293 (December 31, 2021 - \$4,597) relating to the APBP of Crown Partners Fund (see Note 7). In the nine months ended September 30, 2022, the provision for performance bonus payable decreased by \$1,304, representing a performance bonus recovery for the period (2021 – performance bonus expense of \$751).

As at September 30, 2022, no amounts have been accrued in relation to the APBP of Crown Power Fund.

## 14. Credit facilities:

Prior to May 7, 2021, the Corporation had a \$35,000 senior secured revolving credit facility to fund the Corporation’s capital commitments to each of its controlled investment funds and its investments in WireIE and Galaxy (the “Preceding Crown Credit Facility”). This facility provided financing at a variable interest rate based on Prime Rate plus 275 bps to 325 bps or on Bankers Acceptance rate plus 375 to 425 bps, had a customary set of covenants, and matured on May 31, 2021.

Effective May 7, 2021, the Corporation entered into a new senior secured corporate credit facility (the “Crown Credit Facility” and, together with the Preceding Crown Credit Facility, the “Crown Credit Facilities”) that was used to fund a full repayment and cancellation of lender commitments in respect of the Preceding Crown Credit Facility. The Crown Credit Facility originally included a total lender commitment of \$41,500 including a \$30,000 revolving credit facility that declined to \$20,000 in July 2021 upon repayment to an outstanding balance below \$20,000, a \$8,000 term facility that expired unused in August 2021, and a \$3,500 dedicated-purpose letter of credit facility. As at September 30, 2022, the Crown Credit Facility is comprised of a \$20,000 revolving credit facility to be used to fund the Corporation’s capital commitments to existing investments, including its uncalled capital commitments to each of Crown Partners Fund and Crown Power Fund, potential acquisitions and for general corporate purposes, in addition to a \$3,500 dedicated-purpose letter of credit facility. The revolving credit facility provides financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, has a customary set of covenants, and has a maturity date of May 7, 2024, which is subject to annual extension by one or more years at the request of the Corporation.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 14. Credit facilities (continued):

As of September 30, 2022, \$14,300 (December 31, 2021 - \$nil) has been drawn on the Crown Credit Facility, and letters of credit totalling \$3,173 were issued and outstanding. The Crown Credit Facility is secured by the Corporation's ownership interest in its subsidiaries, in its affiliate, Crown Partners Fund, and in certain other investments held by the Corporation and its subsidiaries. The carrying value of assets pledged as at September 30, 2022 was \$77,494 (December 31, 2021 - \$90,762).

On February 5, 2019, Crown Partners Fund entered into an agreement for a \$25,000 senior secured revolving credit facility ("CCPF Credit Facility") to fund investments in mid-market corporations. On December 17, 2019, the size of the CCPF Credit Facility was increased to \$50,000, on January 26, 2021, the size was reduced to \$35,000, and on May 31, 2021 the size was further reduced to \$25,000. The CCPF Credit Facility provided financing at a variable interest rate based on Prime Rate plus 225 bps to 325 bps or on Bankers Acceptance rate plus 325 to 425 bps and had a customary set of covenants.

Prior to July 13, 2021, Crown Partners Fund was consolidated as a subsidiary and the Corporation's credit facilities included the Crown Credit Facilities and the CCPF Credit Facility. The assets and liabilities of Crown Partners Fund, including the CCPF Credit Facility, and any related non-controlling interests were derecognized by the Corporation effective July 13, 2021.

The following table reconciles opening balances to closing balances for the Crown Credit Facility and CCPF Credit Facility as at September 30, 2022 and September 30, 2021:

As at	September 30, 2022	Crown Credit Facility
<b>Balance drawn</b>		
Balance, January 1, 2022		\$ -
Net advances		14,300
Balance, September 30, 2022		\$ 14,300
<b>Deferred finance costs</b>		
Balance, January 1, 2022		\$ (334)
Amortization		126
Additions		(16)
Balance, September 30, 2022		\$ (224)
<b>Carrying value – September 30, 2022</b>		<b>\$ 14,076</b>

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 14. Credit facilities (continued):

As at	September 30, 2021		
	Crown Credit Facilities	CCPF Credit Facility	Total
<b>Balance drawn</b>			
Balance, January 1, 2021	\$ 29,100	\$ 34,300	\$ 63,400
Net advances (repayments)	(29,100)	(9,800)	(38,900)
Derecognition of subsidiary <sup>1</sup>	-	(24,500)	(24,500)
Balance, September 30, 2021	\$ -	\$ -	\$ -
<b>Deferred finance costs</b>			
Balance, January 1, 2021	\$ (149)	\$ (340)	\$ (489)
Amortization	234	86	320
Additions	(453)	(30)	(483)
Derecognition of subsidiary <sup>1</sup>	-	284	284
Balance, September 30, 2021	\$ (368)	\$ -	\$ (368)
<b>Carrying value – September 30, 2021</b>	<b>\$ (368)</b>	<b>\$ -</b>	<b>\$ (368)</b>

<sup>1</sup> The assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 7).

## 15. Convertible Debentures:

On June 13, 2018 the Corporation issued \$20,000 of 6.0% convertible unsecured subordinated debentures (the “Convertible Debentures”) for net proceeds of \$18,703 with maturity date of June 30, 2023 (the “Debenture Maturity Date”). Interest on the Convertible Debentures is payable semi-annually in arrears on June 30 and December 31 of each year and commenced on December 31, 2018. The Convertible Debentures are direct, subordinated unsecured obligations of the Corporation, subordinated to the Crown Credit Facility.

Each \$1 principal amount of Convertible Debenture is convertible at the option of the holder into approximately 72.99 common shares of the Corporation (representing a conversion price of \$13.70 per share). On or after June 30, 2022 and prior to the Debenture Maturity Date, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation’s option at a price equal to their aggregate principal amount plus accrued and unpaid interest.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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

## 15. Convertible Debentures (continued):

On a Redemption Date (as defined in the Trust Indenture) or on the Debenture Maturity Date, as applicable, the Corporation may, at its option, elect to satisfy its obligation to pay the aggregate principal amount of and premiums on (if any) the Convertible Debentures by issuing common shares. Payment for such Convertible Debentures, subject to the election, would be satisfied by delivering that number of common shares obtained by dividing the aggregate principal amount of the outstanding Convertible Debentures which are to be redeemed, or which will mature, by 95% of the Weighted Average Price of the Common Shares for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash.

The fair value of the Corporation's convertible debentures – liability component is \$20,180 at September 30, 2022 (December 31, 2021 - \$19,950). The Corporation's convertible debentures – liability component is classified as Level 1 because they are actively traded on the TSX and the fair value is based on the quoted market prices.

<b>As at</b>	<b>September 30, 2022</b>	
	<b>Liability Component</b>	<b>Equity Component</b>
Balance, January 1, 2022	\$ 19,334	\$ 483
Effective interest on Convertible Debentures	323	-
<b>Balance, September 30, 2022</b>	<b>\$ 19,657</b>	<b>\$ 483</b>

<b>As at</b>	<b>September 30, 2021</b>	
	<b>Liability Component</b>	<b>Equity Component</b>
Balance, January 1, 2021	\$ 18,932	\$ 483
Effective interest on Convertible Debentures	297	-
<b>Balance, September 30, 2021</b>	<b>\$ 19,229</b>	<b>\$ 483</b>

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

## 16. Finance costs:

The following table reconciles total finance costs to costs recognized in relation to the Crown Credit Facilities, the CCPF Credit Facility, the Convertible Debentures, promissory notes payable and the Corporation's lease obligations, including its office leases, vehicle leases and network co-location arrangements for the nine months ended September 30, 2022 and September 30, 2021:

	September 30, 2022			
	Crown Credit Facility	Convertible Debentures	Lease and other Obligations	Total
Interest	\$ 424	\$ 898	\$ 421	\$ 1,743
Standby and other lending fees	73	-	-	73
Amortization of deferred finance costs	126	323	203	652
<b>Total Finance Costs</b>	<b>\$ 623</b>	<b>\$ 1,221</b>	<b>\$ 624</b>	<b>\$ 2,468</b>

	September 30, 2021					
	Crown Credit Facilities	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease and other Obligations	Total
Interest	\$ 918	\$ 722	\$ 898	\$ 28	\$ 272	\$ 2,838
Standby and other lending fees	46	9	-	-	-	55
Amortization of deferred finance costs	234	86	297	-	-	617
<b>Total Finance Costs</b>	<b>\$ 1,198</b>	<b>\$ 817</b>	<b>\$ 1,195</b>	<b>\$ 28</b>	<b>\$ 272</b>	<b>\$ 3,510</b>

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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

<b>As at and for the nine months ended</b>	<b>September 30, 2022</b>
	<b>Crown Power Fund</b>
NCI percentage	56.8%
Beginning balance, January 1, 2022	\$ 18,796
Allocation of net loss	(1,699)
Contributions	2,842
Distributions	(294)
<b>Balance, September 30, 2022</b>	<b>\$ 19,645</b>

<b>As at and for the nine months ended</b>	<b>September 30, 2021</b>		
	<b>Crown Partners Fund</b>	<b>Crown Power Fund</b>	<b>Total</b>
NCI percentage	0.0% <sup>1</sup>	56.8%	
Beginning balance, January 1, 2021	\$ 115,603	\$ 23,903	\$ 139,506
Allocation of net income	5,585	662	6,247
Distributions	(4,845)	(5,630)	(10,475)
Acquisition of units <sup>2</sup>	4,381	-	4,381
Derecognition of subsidiary <sup>3</sup>	(120,724)	-	(120,724)
<b>Balance, September 30, 2021</b>	<b>\$ -</b>	<b>18,935</b>	<b>\$ 18,935</b>

<sup>1</sup> NCI percentage in Crown Partners Fund increased from 61.2% to 63.5% effective March 31, 2021 and decreased to 0.0% as at July 13, 2021.

<sup>2</sup> Relates to the sale by the Corporation of units to non-controlling interests effective March 31, 2021.

<sup>3</sup> The assets and liabilities of Crown Partners Fund, and any related non-controlling interests, were derecognized by the Corporation effective July 13, 2021 (see Note 7).

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 18. 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 13, 2021, the Corporation renewed its normal course issuer bid (“NCIB”) to purchase up to 600,000 of its common shares, representing approximately 6.6% of its issued and outstanding shares as at March 31, 2021, over the next twelve months, or until such time as the bid was completed or terminated at the Corporation’s option. Any shares purchased under this bid were purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid were cancelled. Total shares purchased and cancelled under this NCIB was 170,156.

On June 16, 2021 the Corporation announced a substantial issuer bid (“the First Offer”), pursuant to which the Corporation offered to purchase for cancellation up to 1,800,000 of its outstanding common shares at a purchase price of \$5.50 per common share in cash for an aggregate purchase price not to exceed \$9,900. On July 27, 2021, the Corporation purchased and subsequently cancelled 559,854 common shares pursuant to the First Offer for total consideration of \$3,079, excluding fees and expenses relating to the First Offer totaling \$162.

On November 9, 2021 the Corporation announced a substantial issuer bid (“the Second Offer”), pursuant to which the Corporation offered to purchase for cancellation up to \$10,000 in value of its outstanding common shares in cash by way of a “modified Dutch auction” with a tender price range from \$6.50 to \$7.50 per common share. On December 23, 2021, the Corporation purchased and subsequently cancelled 1,333,333 common shares pursuant to the Second Offer at a purchase price of \$7.50 per share, for total consideration of \$10,000, excluding fees and expenses relating to the Second Offer totaling \$114.

On January 24, 2022, the Corporation announced a substantial issuer bid (“the Third Offer”), pursuant to which the Corporation offered to purchase for cancellation up to 1,330,000 of its outstanding common shares at a purchase price of \$7.50 per common share in cash for an aggregate purchase price not to exceed \$9,975. On March 8, 2022, the Corporation purchased and subsequently cancelled 1,330,000 common shares pursuant to the Third Offer for total consideration of \$9,975, excluding fees and expenses relating to the Third Offer totaling \$87.

On April 13, 2022, the Corporation renewed its NCIB to purchase up to 280,000 of its common shares, representing approximately 5.0% of its issued and outstanding shares as at March 31, 2022, 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. Total shares purchased and cancelled under the current NCIB up to September 30, 2022 was nil.

During the three and nine months ended September 30, 2022, the Corporation purchased and cancelled a total of nil and 1,450,556 shares (September 30, 2021 – 572,654 and 648,584 shares) for total consideration of \$nil and \$10,969 (September 30, 2021 - \$3,317 and \$3,687). The difference between the total consideration paid in respect of these purchases and the average carrying value of cancelled shares was \$1,443 (September 30, 2021 - \$1,862), net of fees and expenses relating to the purchases, and was recognized as a reduction to deficit.

During the three months and nine months ended September 30, 2022, the Corporation issued nil shares as vested share-based compensation (September 30, 2021 – nil and 18,951 shares) (see Note 12).



# CROWN CAPITAL PARTNERS INC.

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## 19. Acquisition of subsidiary:

### (a) Consideration transferred:

On June 24, 2022, the Corporation acquired 100% of the common shares, voting interests and preferred shares of Go Direct Global, a distribution services company that provides end-to-end integrated e-commerce fulfillment and distribution services. The Corporation expects to achieve revenue growth, obtain scale and expand capabilities geographically within its distributed services segment to target a growing need for distribution services in Canada and the United States.

For the period from June 24, 2022 to September 30, 2022, Go Direct Global contributed revenue of \$7,543 and loss before income taxes of \$524 to the Corporation's results. If the acquisition had occurred on January 1, 2022, management estimates that consolidated revenue and consolidated net loss for the nine months ended September 30, 2022 would have been \$39,749 and \$4,508, respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2022.

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

	<b>June 24, 2022</b>
Fair value of pre-existing investment in a Canadian debt security <sup>1</sup>	\$ 3,985
<b>Total consideration transferred</b>	<b>\$ 3,985</b>

<sup>1</sup> The Corporation and Go Direct Global were parties to a promissory note contract under which the Corporation advanced amounts to satisfy Go Direct Global's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired Go Direct Global (see Note 19(d)).

### (b) Acquisition-related costs:

The Corporation incurred legal fees of \$4 in relation to this acquisition. These costs have been included in general and administration expenses.

# CROWN CAPITAL PARTNERS INC.

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As at and for the three and nine months ended September 30, 2022 and 2021

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

## 19. Acquisition of subsidiary (continued):

(c) Identifiable assets acquired and liabilities assumed:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	<b>June 24, 2022</b>
Cash and cash equivalents	\$ 621
Accounts receivable	4,574
Prepaid expenses and other assets	456
Property and equipment	12,209
Customer contracts	3,342
Accounts payable and accrued liabilities	(3,902)
Deferred income tax liability	(123)
Lease obligations	(10,195)
Long-term debt	(2,924)
<b>Total identifiable net assets acquired</b>	<b>\$ 4,058</b>

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

<b>Assets acquired</b>	<b>Valuation technique</b>
Accounts receivable	<i>Income technique:</i> The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates as at the acquisition date of the contractual cash flows expected to be collected.
Customer contracts	<i>Multi-period excess earnings method:</i> The fair value of customer contracts considers the present value of net cash flows in respect of customer contracts and employs the following key assumptions: (i) future cash flows on existing contracts; (ii) expected contract durations and renewals; (iii) a risk-adjusted discount rate; and (iv) cash flows related to contributory assets.
Property and equipment	<i>Cost technique:</i> The fair value of property and equipment considers depreciated replacement cost, which reflects adjustments for physical deterioration as well as functional and economic obsolescence.

# CROWN CAPITAL PARTNERS INC.

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

## 19. Acquisition of subsidiary (continued):

### (c) Identifiable assets acquired and liabilities assumed (continued):

Accounts receivable comprise gross contractual amounts due of \$4,584, of which \$10 was expected to be uncollectible as at the date of acquisition.

Long-term debt represents debt payable by Go Direct SCS that is not guaranteed or supported in any way by the Corporation or any of its other subsidiaries, including Go Direct Global. The long-term debt of Go Direct SCS is comprised of multiple loans that have an aggregate gross contractual value of \$15,662. The value assigned to this long-term debt reflects the best estimate of the net present value of future cash flows of Go Direct SCS available to service this debt. The Corporation's wholly-owned subsidiary CCF III is the general partner of NCOF LP, an investment fund that is managed by the Corporation and which maintains a loan investment in Go Direct SCS.

The fair values of accounts receivable, customer contracts and property and equipment acquired, and long-term debt and the deferred tax liability assumed have been measured on a provisional basis, pending completion of the related valuations.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

### (d) Settlement of pre-existing relationship:

The Corporation and Go Direct Global were parties to a promissory note contract under which the Corporation advanced amounts to satisfy Go Direct Global's working capital requirements at the Corporation's discretion. This pre-existing relationship was effectively terminated when the Corporation acquired Go Direct Global. The fair value of the loan at the date of acquisition was \$3,985. The settlement of the promissory note contract did not result in a realized gain (loss).

### (e) Gain on acquisition:

	<b>June 24, 2022</b>
Fair value of identifiable net assets	\$ 4,058
Consideration transferred	(3,985)
<b>Gain on acquisition</b>	<b>\$ 73</b>

# CROWN CAPITAL PARTNERS INC.

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

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

<b>Nine months ended September 30,</b>	<b>2022</b>	<b>2021</b>
Accounts receivable	\$ (1,973)	\$ 3,275
Prepaid expenses	(2,037)	824
Inventory	(89)	(43)
Lease earn-out note receivable	(764)	(329)
Accounts payable and accrued liabilities	1,003	(44)
Deferred revenue	(294)	(959)
<b>Total</b>	<b>\$ (4,154)</b>	<b>\$ 2,724</b>

## 21. Segment information:

The Corporation has six reportable segments, which are its strategic operating components that engage in business activities from which revenues are earned and expenses are incurred. These reportable segments offer different services and are managed separately because they invest in different asset classes, serve different customer types, require different operational strategies and involve different regulatory treatment.

The following summary describes the operations of each reportable segment:

<b>Reportable segments</b>	<b>Operations</b>
Specialty finance	Investments in Crown Partners Fund and in corporate debt and equity securities. Prior to July 13, 2021, included the origination and management of alternative lending investment funds.
Network services	Deployment and management of carrier-grade data networks to select underserved markets.
Distributed power	Origination and management of, and investment in, distributed power investments.
Real estate	Investment in, and development of, real estate development assets.
Distribution services	Provision of end-to-end integrated e-commerce fulfillment and distribution services.
Corporate and other	Includes the Corporation's credit reporting subsidiary, in addition to assets, liabilities, revenues and expenses that do not pertain directly to other reportable segments.

Information in respect of reportable segments for the nine months ended September 30, 2022 and September 30, 2021 is presented in the tables below. Segment income (loss) before income taxes is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

# CROWN CAPITAL PARTNERS INC.

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

## 21. Segment information (continued):

For the nine months ended	September 30, 2022						
Reportable segments	Specialty finance	Network services	Distributed power	Real estate	Distribution services	Corporate and other	Total
External revenues <sup>1</sup>	\$ -	\$ 20,648	\$ 1,113	\$ -	\$ 7,543	\$ 1,462	\$ 30,766
Net realized loss on investments	(1,268)	-	-	-	-	-	(1,268)
Net change in unrealized gain of investments	1,270	-	-	-	-	-	1,270
<b>Revenues</b>	<b>2</b>	<b>20,648</b>	<b>1,113</b>	<b>-</b>	<b>7,543</b>	<b>1,462</b>	<b>30,768</b>
<b>Share of losses of Crown Partners Fund<sup>2</sup></b>	<b>(3,976)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,976)</b>
<b>Segment income (loss) before income taxes<sup>3</sup></b>	<b>(2,670)</b>	<b>3,438</b>	<b>(1,135)</b>	<b>144</b>	<b>(524)</b>	<b>(4,594)</b>	<b>(5,341)</b>
Cost of network services	-	9,643	-	-	-	-	9,643
Cost of distribution services	-	-	-	-	4,443	-	4,443
Financing costs	-	141	203	-	268	1,856	2,468
Depreciation	-	2,939	2	-	943	281	4,165
Income tax expense (recovery) – current	-	1,327	3	251	69	(536)	1,114
Income tax recovery – deferred	-	(417)	38	(283)	(24)	(1,559)	(2,245)
Other material non-cash items:							
Performance bonus recovery	(1,304)	-	-	-	-	-	(1,304)
Impairment of distributed power equipment under development and related deposits	-	-	3,291	-	-	-	3,291
Net additions to (disposals of) property and equipment	-	940	(60)	-	4,192	5	5,077

<sup>1</sup> Three customers from the Corporation's "network services" segment and three customers of the Corporation's "distribution services" segment represented approximately \$8,409 and \$5,115, respectively, of the Corporation's total revenues.

<sup>2</sup> The Corporation's share of losses from Crown Partners Fund in respect of its limited partnership and general partnership interests, is a non-cash item that does not equal the value of distributions paid to the Corporation by Crown Partners Fund (see Note 7).

<sup>3</sup> Total segment income (loss) before income taxes represents the Corporation's consolidated income (loss) before income taxes. Management fee revenue earned from a certain consolidated entity is eliminated on consolidation from segment income (loss) before income taxes attributable to the "corporate and other" segment. The related management fee expense is eliminated on consolidation from segment income (loss) before income taxes attributable to the "distributed power" segment.

# CROWN CAPITAL PARTNERS INC.

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As at and for the three and nine months ended September 30, 2022 and 2021

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

## 21. Segment information (continued):

For the nine months ended	September 30, 2021						
Reportable segments	Specialty finance	Network services	Distributed power	Real estate	Distribution services	Corporate and other	Total
External revenues <sup>1</sup>	\$ 12,592	\$ 20,674	\$ 1,548	\$ -	\$ -	\$ 437	\$ 35,251
Net realized gain (loss) on investment	197	-	-	(130)	-	19	86
Net change in unrealized loss of investments	(322)	-	-	-	-	-	(322)
<b>Revenues</b>	<b>12,467</b>	<b>20,674</b>	<b>1,548</b>	<b>(130)</b>	<b>-</b>	<b>456</b>	<b>35,015</b>
<b>Share of income of Crown Partners Fund<sup>2</sup></b>	<b>1,959</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,959</b>
<b>Segment income (loss) before income taxes<sup>3</sup></b>	<b>4,799</b>	<b>3,707</b>	<b>459</b>	<b>(1,821)</b>	<b>-</b>	<b>(5,644)</b>	<b>1,500</b>
Cost of network services	-	9,480	-	-	-	-	9,480
Financing costs	817	260	-	-	-	2,433	3,510
Depreciation	-	2,716	-	-	-	170	2,886
Income taxes – current	-	626	-	-	-	(220)	406
Income taxes (recovery) – deferred	-	146	(13)	-	-	(849)	(716)

Information in respect of reportable segments for the nine months ended September 30, 2021 is continued on the next page.

# CROWN CAPITAL PARTNERS INC.

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As at and for the three and nine months ended September 30, 2022 and 2021

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

## 21. Segment information (continued):

For the nine months ended	September 30, 2021						
Reportable segments	Specialty finance	Network services	Distributed power	Real estate	Distribution services	Corporate and other	Total
Other material non-cash items:							
Provision for expected credit loss	2,488	16	6	(130)	-	-	2,380
Performance bonus expense	751	-	-	-	-	-	751
Remeasurement of financial instruments		225	-	1,821	-	-	2,046
Gain on derecognition of subsidiary	1,588	-	-	-	-	-	1,588
Net additions to property and equipment	-	1,140	120	-	-	37	1,297

<sup>1</sup> External revenues of the “specialty finance” segment include interest revenue of \$11,776 and fees and other income of \$816. Revenues from three customers of the Corporation’s “network services” segment represented approximately \$8,642 of the Corporation’s total revenues.

<sup>2</sup> The Corporation’s share of losses from Crown Partners Fund in respect of its limited partnership and general partnership interests, is a non-cash item that does not equal the value of distributions paid to the Corporation by Crown Partners Fund (see Note 7).

<sup>3</sup> Total segment income (loss) before income taxes represents the Corporation’s consolidated income (loss) before income taxes. Management fee revenue earned from certain consolidated entities is eliminated on consolidation from segment income (loss) before income taxes attributable to the “corporate and other” segment. The related management fee expense is eliminated on consolidation from segment income (loss) before income taxes attributable to the “specialty finance” and “distributed power” segments. Interest revenue earned on certain intercompany debt amounts is eliminated on consolidation from segment income (loss) before income taxes attributable to the “specialty finance” segment. The related interest expense is eliminated on consolidation from segment income (loss) before income taxes attributable to the “network services” segment.

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

## 21. Segment information (continued):

As at	September 30, 2022						
Reportable segments	Specialty finance	Network services	Distributed power	Real estate	Distribution services	Corporate and other	Total
Segment assets <sup>1,2</sup>	\$ 38,924	\$ 23,854	\$ 33,802	\$ 27,842	\$ 26,127	\$ 6,603	\$ 157,152
Segment liabilities <sup>1,2</sup>	3,293	7,955	19,684	12,713	21,075	38,498	103,218

<sup>1</sup> Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

<sup>2</sup> Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.

As at	December 31, 2021						
Reportable segments	Specialty finance	Network services	Distributed power	Real estate	Distribution services	Corporate and other	Total
Segment assets <sup>1,2</sup>	\$ 51,695	\$ 19,752	\$ 32,354	\$ 28,251	\$ -	\$ 8,063	\$ 140,115
Segment liabilities <sup>1,2</sup>	4,597	9,642	18,996	13,375	-	24,430	71,040

<sup>1</sup> Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

<sup>2</sup> Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.



# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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## 22. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at September 30, 2022:

As at September 30, 2022 the Corporation, through Crown Power Fund, had committed to contracts valued at \$23,034 in relation to the construction of power generation assets, of which \$12,357 was funded and included in property and equipment under development and related deposits, \$4,355 was funded and included in property and equipment and \$6,322 was unfunded, of which \$3,593 was attributable to non-controlling interests.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Partners Fund and CCF IV Investment of \$16,028 as at September 30, 2022. This commitment is in respect of limited partnership units held by the Corporation and is pursuant to the related limited partnership agreements. The investment period of each of Crown Partners Fund and CCF IV Investment expired on December 31, 2021, and the assets of these funds will be managed down with a view to dissolving the funds in an orderly fashion prior to the end of their terms on September 30, 2025. After the December 31, 2021 expiration of the investment period of these funds, additional committed capital may be called but only to extent required for certain purposes including to cover operating deficits and, to a maximum of 20% of the committed capital, to make follow-on investments. The Corporation does not expect any future funding requirements in respect of its uncalled capital commitments to Crown Partners Fund and CCF IV Investment.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Power Fund of \$4,618 as at September 30, 2022. This commitment is in respect of limited partnership units held by the Corporation and is pursuant to the related limited partnership agreement.

The Corporation, through WireIE, has an aggregate commitment with respect to its use of broadband network infrastructure of \$897 as at September 30, 2022.

The Corporation, through Galaxy has an aggregate commitment with respect to its use of broadband network infrastructure of \$1,404 as at September 30, 2022.

The Corporation, through Go Direct America, has a commitment in respect of the lease of a logistics facility in Reno, Nevada, which has a 62-month term, commenced on November 1, 2022, and represents an aggregate commitment over its term of \$6,760 in respect of base rent payments.

The Corporation has guaranteed repayment of loans advanced to participants in the Corporation's executive share purchase plan (the "Share Purchase Plan") by a third-party financial institution pursuant to the Share Purchase Plan which totaled \$1,455 as at September 30, 2022 (December 31, 2021 - \$1,656), and which are secured by common shares of the Corporation owned by such participants with a value of \$3,376 as at September 30, 2022 (December 31, 2021 - \$2,979).

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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2022 and 2021

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

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## 22. Commitments and contingencies (continued):

The Corporation, through CNP, is party to surety bonds totaling \$163,500. These bonds are security agreements necessary to support CNP's participation as an internet service provider under the Ontario Connects: Accelerated High Speed Internet Program, through which the maximum subsidy available to CNP is approximately \$150,000.

From time to time, the Corporation is party to legal proceedings. Based on current knowledge, the Corporation does not expect the outcome of such proceedings to have a material effect on the consolidated statement of financial position or consolidated statement of comprehensive income (loss).