
Condensed Consolidated Interim Financial Statements of

CROWN CAPITAL PARTNERS INC.

Three months ended March 31, 2023 and 2022

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(expressed in thousands of Canadian dollars)

As at	March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,817	\$ 7,244
Accounts receivable	14,161	14,195
Income taxes recoverable	666	314
Prepaid expenses and deposits	4,382	4,275
Inventory	2,015	1,458
Current portion of net investment in leased distributed power equipment (Note 5)	671	642
	38,712	28,128
Non-current assets:		
Investments (Note 4)	1,101	2,101
Investment in Crown Partners Fund (Note 6)	27,027	34,557
Customer contracts (Note 7)	7,435	7,051
Property and equipment (Note 8)	34,130	35,219
Net investment in leased distributed power equipment (Note 5)	11,478	11,352
Property and equipment under development and related deposits (Note 9)	50,477	46,356
Deferred income taxes	2,110	1,605
Goodwill	293	293
Total Assets	\$ 172,763	\$ 166,662
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,841	\$ 12,302
Factor facility	200	968
Contingent consideration	950	950
Mortgages payable (Note 10)	11,900	11,900
Current portion of deferred revenue	1,884	1,130
Current portion of lease obligations	3,488	3,552
Current portion of convertible debentures - liability component (Note 13)	19,883	19,770
Current portion of long-term debt	81	60
	51,227	50,632
Non-current liabilities:		
Deferred revenue	912	849
Lease obligations	15,867	16,753
Deferred compensation (Note 11)	1,403	1,588
Provision for performance bonus	3,287	3,109
Credit facilities (Note 12)	24,298	18,067
Long-term debt	2,407	2,924
Non-controlling interests (Note 15)	23,419	22,070
Total Liabilities	122,820	115,992
Equity		
Share capital (Note 16)	48,264	48,281
Convertible debentures - equity component (Note 13)	483	483
Contributed surplus	15,184	15,184
Translation reserve	35	35
Deficit	(14,023)	(13,313)
Total Equity	49,943	50,670
	\$ 172,763	\$ 166,662
Commitments and contingencies (Note 20)		
Subsequent events (Note 21)		

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Comprehensive Loss (unaudited)

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

	For the three months ended	
	March 31,	
	2023	2022
Revenues		
Distribution services revenue	\$ 8,357	\$ -
Network services revenue	7,273	6,739
Fees and other income	883	451
Interest revenue	542	319
Net loss on investments		
Net change in unrealized loss of investments	-	(300)
	17,055	7,209
Share of earnings (losses) of Crown Partners Fund (Note 6)	1,350	(4,446)
Expenses		
Cost of distribution services revenue	6,389	-
Cost of network services revenue	3,909	3,068
Salaries and benefits	3,532	1,892
Share-based compensation (Note 11)	(112)	165
Performance bonus expense (recovery)	178	(1,241)
General and administration	2,025	678
Foreign exchange loss	37	-
Depreciation	2,219	968
Provision for expected credit losses	2	23
Finance costs (Note 14)	1,576	576
	19,755	6,129
Loss before other adjustments and income taxes	(1,350)	(3,366)
Remeasurement of financial instruments	611	-
Non-controlling interests (Note 15)	(212)	(141)
Loss before income taxes	(951)	(3,507)
Income taxes expense (recovery)		
Current tax expense	266	488
Deferred tax recovery	(505)	(1,445)
	(239)	(957)
Net loss and comprehensive loss	\$ (712)	(2,550)
Loss per share attributable to shareholders		
Basic	\$ (0.13)	\$ (0.38)
Diluted	\$ (0.13)	\$ (0.38)
Weighted average number of shares, basic	5,642,524	6,735,756
Weighted average number of shares, diluted	5,642,524	6,735,756

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the three months ended March 31, 2023 and 2022

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

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Translation reserve	Deficit	Total Equity
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	-	-	-	-	-	(2,550)	(2,550)
Share-based compensation (Note 11)	-	-	-	1	-	-	1
Shares repurchased (Note 16)	(1,450,556)	(12,412)	-	-	-	1,443	(10,969)
Balance as at March 31, 2022	5,642,546	\$ 48,281	\$ 483	\$ 15,181	\$ -	\$ (8,388)	\$ 55,557
Balance as at January 1, 2023	5,642,546	\$ 48,281	\$ 483	\$ 15,184	\$ 35	\$ (13,313)	\$ 50,670
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	-	(712)	(712)
Shares repurchased (Note 16)	(2,000)	(17)	-	-	-	2	(15)
Balance as at March 31, 2023	5,640,546	\$ 48,264	\$ 483	\$ 15,184	\$ 35	\$ (14,023)	\$ 49,943

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 three months ended March 31,	2023	2022
Cash provided by (used in) operating activities		
Net loss	\$ (712)	\$ (2,550)
Non-controlling interests (Note 15)	212	141
Adjustments for:		
Net change in unrealized loss in fair value of investments	-	300
Share of (earnings) losses of Crown Partners Fund (Note 6)	(1,350)	4,446
Income distributions received from Crown Partners Fund	954	857
Interest income	(542)	(319)
Interest income received in the period	53	192
Provision for expected credit losses	2	23
Amortization of deferred finance costs (Note 14)	333	146
Depreciation	2,219	968
Current income tax expense	266	488
Income taxes paid, net of refunds received	(577)	(1,234)
Deferred tax recovery	(505)	(1,445)
Share-based compensation, net of cash settlements	(112)	165
Performance bonus expense (recovery)	178	(1,241)
Remeasurement of financial instruments	(611)	-
Net proceeds from repayment of lease earn-out note receivable	-	4,386
Net change in non-cash working capital (Note 18)	227	(1,679)
	35	3,644
Cash provided by (used in) investing activities		
Addition of investments	-	(1,750)
Capital distributions received from Crown Partners Fund	8,344	-
Purchase of property and equipment (Note 8)	(560)	(169)
Principal repayments of, net of additions to, net investment in leased distributed power equipment	20	133
Additions to property and equipment under development and related deposits	(3,809)	(2,475)
	3,995	(4,261)
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Power Fund (Note 15)	1,137	-
Payments of lease obligations	(950)	(305)
Repayment of network services vendor note payable	-	(139)
Credit facility advances, net of repayments (Note 12)	6,750	11,000
Repayment of mortgages payable	-	(3,300)
Advances of long-term debt, net of repayments	115	(150)
Repayment of factor facility, net of advances	(768)	-
Shares repurchased (Note 16)	(15)	(10,969)
Deferred financing costs	(739)	(16)
	5,530	(3,879)
Effect of foreign exchange rate difference on cash	13	-
Increase (decrease) in cash and cash equivalents	9,573	(4,496)
Cash and cash equivalents, beginning of period	7,244	10,842
Cash and cash equivalents, end of period	\$ 16,817	\$ 6,346
Supplemental cash flow information:		
Interest paid in the period	\$ 898	\$ 426

See accompanying notes to consolidated financial statements.

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

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 2nd Street S.W., Suite 19-131, Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three months ended March 31, 2023 and 2022 comprise the Corporation and its subsidiaries, which include, effective January 1, 2023, a 70% common equity interest and a 100% preferred equity interest in PenEquity Inc. (“PenEquity”).

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, 2022. 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, 2022.

These condensed consolidated interim financial statements were authorized for issue by the Corporation’s Board of Directors on May 10, 2023.

(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 months ended March 31, 2023 and 2022

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

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, 2022.

(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 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.

Long-term debt payable through Go Direct Supply Chain Solutions Inc. ("Go Direct SCS") is valued using the net present value of aggregate expected cash flows of Go Direct SCS available to service this debt.

Contingent consideration in relation to the Galaxy Broadband Communications Inc. ("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.

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, 2022. There were no new accounting standards adopted for the three months ended March 31, 2023.

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

4. Investments:

As at	March 31, 2023	December 31, 2022
Investments at FVTPL:		
Canadian equity security	\$ 25	\$ 25
Total Investments at FVTPL	25	25
Canadian debt securities at amortized cost	16,748	17,748
Allowance for credit losses	(15,672)	(15,672)
Total Investments at amortized cost, net of allowance for credit losses	1,076	2,076
Total Investments	\$ 1,101	\$ 2,101

For investments carried at FVTPL, the amounts are classified in the fair value hierarchy based on the values recognized in the consolidated statement of financial position. The Canadian equity security at FVTPL represents common shares of Crown Private Credit Partners Inc. and is valued based on its transaction price. As at March 31, 2023, total investments at FVTPL of \$25 (December 31, 2022 - \$25) and total investments at amortized cost, net of allowance for credit losses, of \$1,076 (see Note 17) (December 31, 2022 - \$2,076) are classified as Level 3 financial instruments. There were no transfers between levels during the three months ended March 31, 2023. The carrying value of investments at amortized cost, net of allowance for credit losses, approximates its fair value.

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 three months ended March 31, 2023 and March 31, 2022:

For the three months ended	March 31, 2023	March 31, 2022
Level 3 securities at FVTPL		
Opening balance	\$ 25	\$ 525
Net change in unrealized losses	-	(300)
Ending balance	\$ 25	\$ 225

As at March 31, 2023, the total gross carrying value of the single Canadian debt security at amortized cost is \$16,748 and is classified as Stage Three (December 31, 2022 - \$17,748). There were no changes in, or transfers between stages during the three months ended March 31, 2023.

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Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

5. Net investment in leased distributed power equipment:

The Corporation did not enter into any new finance lease contracts in the three months ended March 31, 2023 (March 31, 2022 – nil).

For the three months ended March 31, 2023, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of \$232 (March 31, 2022 - \$192).

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

	March 31, 2023	December 31, 2022
Less than one year	\$ 1,576	\$ 1,524
One to two years	1,627	1,627
Two to three years	1,627	1,627
Three to four years	1,627	1,627
Four to five years	1,627	1,627
Greater than five years	9,514	9,643
Total undiscounted lease payments	17,598	17,675
Unearned finance income	(6,765)	(6,998)
Undiscounted unguaranteed residual value	1,440	1,440
Net investment in leased distributed power equipment, before allowance for credit loss	12,273	12,117
Allowance for credit loss	(124)	(123)
Net investment in leased distributed power equipment	\$ 12,149	\$ 11,994
Current portion	(671)	(642)
Non-current portion	\$ 11,478	\$ 11,352

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

6. Investment in Crown Partners Fund:

The investment in Crown Capital Partner Funding, LP (“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 Crown Capital LP Partner Funding Inc., it is the general partner of Crown Partners Fund. The Corporation’s interest in Crown Partners Fund is 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 March 31, 2023 of \$6,574 (December 31, 2022 - \$6,219) represents the carrying value of the Corporation’s general partnership interest. As at March 31, 2023, the Corporation had accrued a provision for performance bonus of \$3,287 (December 31, 2022 - \$3,109) which represents the 50% portion that would be paid to participants in the asset performance bonus pool of Crown Partners Fund.

The fair value of the investment in Crown Partners Fund of \$27,156 as at March 31, 2023 (December 31, 2022 - \$34,954) 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 a Canadian debt security 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 March 31, 2023, investments held by Crown Partners Fund in the form of Canadian debt securities have coupon interest rates ranging from 10.0% to 11.0% per annum (December 31, 2022 - 10.0% to 12.0%) and an effective interest rate of nil% for the debt security carried at amortized cost (December 31, 2022 – 10.0% to 21.6% for debt securities carried at amortized cost).

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

6. 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 three months ended March 31, 2023 and March 31, 2022:

As at and for the three months ended March 31,	2023		
	Limited partnership interest	General partnership interest	Total
Crown Partners Fund			
Opening balance	\$ 28,338	\$ 6,219	\$ 34,557
Share of earnings ¹	995	355	1,350
Distributions	(8,880)	-	(8,880)
Ending balance	\$ 20,453	\$ 6,574	\$ 27,027

¹ Share of earnings include a decrease of \$72 to the Corporation's proportionate share of the earnings attributable to limited partners of Crown Partners Fund for the three months ended March 31, 2023 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.

As at and for the three months ended March 31,	2022		
	Limited partnership interest	General partnership interest	Total
Crown Partners Fund			
Opening balance	\$ 38,175	\$ 9,194	\$ 47,369
Share of losses	(1,964)	(2,482)	(4,446)
Distributions	(2,894)	-	(2,894)
Ending balance	\$ 33,317	\$ 6,712	\$ 40,029

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

6. Investment in Crown Partners Fund (continued):

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

As at	March 31, 2023	December 31, 2022
Crown Partners Fund – Summary Balance Sheet Information		
Investments	\$ 78,828	\$ 106,341
Other assets	5,886	7,459
Total liabilities	(4,504)	(6,039)
Net assets	80,210	107,761
Net assets attributable to limited partners	73,636	101,542
Net assets attributable to general partner	6,574	6,219
For the three months ended		
Crown Partners Fund – Summary Income Statement Information		
Interest revenue	\$ 2,164	\$ 3,162
Other revenue	285	137
Net gain on investments	2,048	785
Total operating expenses	(368)	(526)
Provision for expected credit losses	44	(13,068)
Total increase (decrease) in net assets	4,173	(9,510)
Increase (decrease) in net assets attributable to limited partners	3,818	(7,028)
Increase (decrease) in net assets attributable to general partner	355	(2,482)

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

7. Customer contracts:

As at	March 31, 2023				
Carrying amount	Network Services	Distribution Services	Credit Reporting	Real Estate	Total
Opening balance, January 1, 2023	\$ 9,493	\$ 3,366	\$ 1,003	\$ -	\$ 13,862
Additions through acquisition	-	-	-	1,000	1,000
Balance, March 31, 2023	\$ 9,493	\$ 3,366	\$ 1,003	\$ 1,000	\$ 14,862

Accumulated depreciation and impairment of customer contracts

Opening balance, January 1, 2023	\$ (5,985)	\$ (525)	\$ (301)	\$ -	\$ (6,811)
Depreciation	(233)	(262)	(50)	(71)	(616)
Balance, March 31, 2023	\$ (6,218)	\$ (787)	\$ (351)	\$ (71)	\$ (7,427)
Carrying value – March 31, 2023	\$ 3,275	\$ 2,579	\$ 652	\$ 929	\$ 7,435

As at	March 31, 2022				
Carrying amount	Network Services	Distribution Services	Credit Reporting	Real Estate	Total
Balance, January 1, 2022 and March 31, 2022	\$ 9,493	\$ -	\$ 1,003	\$ -	\$ 10,496

Accumulated depreciation and impairment of customer contracts

Opening balance, January 1, 2022	\$ (4,530)	\$ -	\$ (100)	\$ -	\$ (4,630)
Depreciation	(304)	-	(50)	-	(354)
Balance, March 31, 2022	\$ (4,834)	\$ -	\$ (150)	\$ -	\$ (4,984)
Carrying value – March 31, 2022	\$ 4,659	\$ -	\$ 853	\$ -	\$ 5,512

CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the three months ended March 31, 2023 and 2022

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

8. Property and equipment:

As at	March 31, 2023				
	Network Co-location	Network Services Equipment	Premises and Related Equipment	Distributed Power Equipment	Total
Cost					
Beginning balance, January 1, 2023	\$ 3,909	\$ 11,106	\$ 26,467	\$ 7,118	\$ 48,600
Additions (disposals)	-	175	385	-	560
Effect of foreign exchange rate movement	-	-	(46)	-	(46)
Balance, March 31, 2023	\$ 3,909	\$ 11,281	\$ 26,806	\$ 7,118	\$ 49,114
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2023	\$(3,428)	\$(6,283)	\$(2,758)	\$ (912)	\$(13,381)
Depreciation	(110)	(304)	(1,187)	(2)	(1,603)
Balance, March 31, 2023	\$(3,538)	\$(6,587)	\$(3,945)	\$ (914)	\$(14,984)
Carrying value – March 31, 2023	\$ 371	\$ 4,694	\$ 22,861	\$ 6,204	\$ 34,130
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As at	March 31, 2022				
	Network Co-location	Network Services Equipment	Premises and Related Equipment	Distributed Power Equipment	Total
Cost					
Beginning balance, January 1, 2022	\$ 4,096	\$ 11,507	\$ 1,796	\$ 7,031	\$ 24,430
Additions (disposals)	-	226	3	(60)	169
Balance, March 31, 2022	\$ 4,096	\$ 11,733	\$ 1,799	\$ 6,971	\$ 24,599
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2022	\$(2,738)	\$(5,835)	\$ (1,020)	\$ (558)	\$(10,151)
Depreciation	(230)	(312)	(72)	-	(614)
Balance, March 31, 2022	\$(2,968)	\$(6,147)	\$ (1,092)	\$ (558)	\$(10,765)
Carrying value – March 31, 2022	\$ 1,128	\$ 5,586	\$ 707	\$ 6,413	\$ 13,834

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As at and for the three months ended March 31, 2023 and 2022

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

9. Property and equipment under development and related deposits:

As at	March 31, 2023			
	Real estate property under development	Distributed power equipment under development and related deposits	Network equipment under development	Total
Carrying amount				
Balance, January 1, 2023	\$ 24,642	\$ 16,499	\$ 5,215	\$ 46,356
Additions	292	2,310	1,519	4,121
Balance, March 31, 2023	\$ 24,934	\$ 18,809	\$ 6,734	\$ 50,477

As at	March 31, 2022			
	Real estate property under development	Distributed power equipment under development and related deposits	Network equipment under development	Total
Carrying amount				
Balance, January 1, 2022	\$ 22,658	\$ 10,961	\$ 444	\$ 34,063
Additions	272	1,524	362	2,158
Balance, March 31, 2022	\$ 22,930	\$ 12,485	\$ 806	\$ 36,221

Additions to real estate property under development includes capitalized interest of \$247 in the three months ended March 31, 2023 (March 31, 2022 - \$117) in respect of mortgages payable.

Additions to distributed power equipment under development and related deposits includes capitalized interest of \$312 for the three months ended March 31, 2023 (March 31, 2022 - \$127).

10. Mortgages payable:

Effective May 27, 2022, the Corporation entered into an agreement for a non-amortizing 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.

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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)

11. Share-based compensation:

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 March 31, 2023, the deferred compensation liability was \$1,403 (December 31, 2022 - \$1,588).

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 three months ended March 31, 2023 and March 31, 2022, no stock options were granted.

The expense is recognized over the vesting period. The fair value of the options granted was \$0.13 per option. As at March 31, 2023, 282,921 (December 31, 2022 – 188,614) stock options had vested but had not been exercised, and an additional nil (December 31, 2022 – 94,307) stock options which had not vested were outstanding.

The tables below detail the share-based compensation expense recognized in the months ended March 31, 2023 and 2022.

For the three months ended March 31, 2023						
	Number outstanding at January 1, 2023	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at March 31, 2023	Recovery in the period
DDSU's	176,457	-	-	-	176,457	\$ (112)
Stock options	282,921	-	-	-	282,921	-
Total	459,378	-	-	-	459,378	\$ (112)

For the three months ended March 31, 2022						
	Number outstanding at January 1, 2022	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at March 31, 2022	Expensed in the period
DDSU's	141,681	-	-	-	141,681	164
Stock options	282,921	-	-	-	282,921	1
Total	424,602	-	-	-	424,602	\$ 165

CROWN CAPITAL PARTNERS INC.

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As at and for the three months ended March 31, 2023 and 2022

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12. Credit facilities:

Prior to February 7, 2023, the Corporation had a senior secured corporate credit facility (the “Preceding Crown Credit Facility”) that was 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 provided financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, had a customary set of covenants, and had a maturity date of May 7, 2024, which was subject to annual extension by one or more years at the request of the Corporation.

Effective February 7, 2023, the Corporation entered into a new senior secured corporate credit facility (the “Crown Credit Facility”, and together with the Preceding Crown Credit Facility, the “Credit Facilities”) with Canadian Western Bank of up to \$43,500 to be used to fund a full repayment and cancellation of lender commitments in respect of the Preceding Crown Credit Facility, support working capital and growth capital requirements of the Corporation and its operating businesses, and to fund the Corporation’s remaining capital commitment in respect of Crown Power Fund. The Crown Credit Facility includes an amortizing term loan of up to \$30,000 with a maturity date of February 7, 2028, an operating loan of up to \$10,000 with availability subject to margin condition restrictions, and a letter of credit facility of up to \$3,500. The term loan is comprised of an initial advance of \$25,000 plus \$5,000 to be advanced upon request by the Corporation prior to June 30, 2023. The term loan and the operating loan provide financing at variable interest rates based on Prime Rate plus 165 bps to 265 bps and 200 bps to 300 bps, respectively, and feature a customary set of covenants.

As of March 31, 2023, \$25,000 has been drawn on the Crown Credit Facility (December 31, 2022 - \$18,250, had been drawn of the Preceding Crown Credit Facility), and letters of credit totaling \$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.

13. 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”) (see Note 21). 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, unsecured obligations of the Corporation that are 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.

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13. 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 \$19,012 at March 31, 2023 (December 31, 2022 - \$19,000). 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.

As at	March 31, 2023	
	Liability Component (current)	Equity Component
Balance, January 1, 2023	\$ 19,770	\$ 483
Effective interest on Convertible Debentures	113	-
Balance, March 31, 2023	\$ 19,883	\$ 483

As at	March 31, 2022	
	Liability Component (non-current)	Equity Component
Balance, January 1, 2022	\$ 19,334	\$ 483
Effective interest on Convertible Debentures	104	-
Balance, March 31, 2022	\$ 19,438	\$ 483

CROWN CAPITAL PARTNERS INC.

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14. Finance costs:

The following table reconciles total finance costs to costs recognized in relation to the Credit Facilities, the Convertible Debentures, and the Corporation's lease obligations, including its office leases, vehicle leases and network co-location arrangements for the three months ended March 31, 2023 and March 31, 2022:

For the three months ended	March 31, 2023			
	Credit Facilities	Convertible Debentures	Lease and other Obligations	Total
Interest	\$ 483	\$ 300	\$ 402	\$ 1,185
Standby and other lending fees	58	-	-	58
Amortization of deferred finance costs	220	113	-	333
Total Finance Costs	\$ 761	\$ 413	\$ 402	\$ 1,576

For the three months ended	March 31, 2022			
	Credit Facilities	Convertible Debentures	Lease and other Obligations	Total
Interest	\$ 37	\$ 296	\$ 60	\$ 393
Standby and other lending fees	37	-	-	37
Amortization of deferred finance costs	42	104	-	146
Total Finance Costs	\$ 116	\$ 400	\$ 60	\$ 576

CROWN CAPITAL PARTNERS INC.

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15. Non-controlling interests (NCI):

As at and for the three months ended	March 31, 2023
	Crown Power Fund
NCI percentage	56.8%
Beginning balance, January 1, 2023	\$ 22,070
Allocation of net income	212
Contributions	1,137
Balance, March 31, 2023	\$ 23,419

As at and for the three months ended	March 31, 2022
	Crown Power Fund
NCI percentage	56.8%
Beginning balance, January 1, 2022	\$ 18,796
Allocation of net income	141
Distributions	(197)
Balance, March 31, 2022	\$ 18,740

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16. 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 January 24, 2022, the Corporation announced a substantial issuer bid, 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 substantial issuer bid for total consideration of \$9,975, excluding related fees and expenses totaling \$87.

Including 120,556 common shares repurchased pursuant to a normal course issuer bid ("NCIB"), the Corporation purchased and cancelled a total of 1,450,556 shares during the three months ended March 31, 2022.

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 March 31, 2023 were 2,000.

During the three months ended March 31, 2023, the Corporation purchased and cancelled a total of 2,000 shares (March 31, 2022 – 1,450,556 shares) for total consideration of \$15 (March 31, 2022 - \$10,969). The difference between the total consideration paid in respect of these purchases and the average carrying value of cancelled shares was \$2 (March 31, 2022 - \$1,443), net of fees and expenses relating to the purchases, and was recognized as a reduction to deficit.

CROWN CAPITAL PARTNERS INC.

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17. Acquisition of assets:

(a) Consideration transferred:

Effective January 1, 2023, the Corporation acquired, through its subsidiary PenEquity Inc., certain property management contracts from PenEquity Realty Corp., to which the Corporation had a previous lending relationship. The following table summarizes the acquisition date fair value of consideration transferred:

	January 1, 2023
Fair value of investment in a Canadian debt security ¹	\$ 1,000
Total consideration transferred	\$ 1,000

¹ As consideration for the acquisition of assets, the Corporation agreed to the partial settlement of a Canadian debt security outstanding to PenEquity Realty Corp., with which the Corporation had a previous lending relationship.

(b) Identifiable assets acquired:

The following table summarizes the recognized amount of assets acquired at the date of acquisition.

	January 1, 2023
Customer contracts	\$ 1,000
Total identifiable net assets acquired	\$ 1,000

The Corporation accounts for this transaction as an asset acquisition on account of the application of a concentration test permitting the simplified assessment as to whether an acquired set of activities and assets is a business. The optional concentration test was met as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, being customer contracts.

18. Net change in non-cash working capital:

Three months ended March 31,	2023	2022
Accounts receivable	\$ (209)	\$ (535)
Prepaid expenses	(107)	1,464
Inventory	(557)	68
Accounts payable and accrued liabilities	283	(2,633)
Deferred revenue	817	(43)
Total	\$ 227	\$ (1,679)

CROWN CAPITAL PARTNERS INC.

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19. 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:

Reportable segments	Operations
Network services	Deployment and management of carrier-grade data networks to select underserved markets.
Distribution services	Provision of end-to-end integrated ecommerce and business-to-business order fulfillment and distribution services, including warehousing and freight management.
Specialty finance	Investments in Crown Partners Fund and in corporate debt and equity securities.
Distributed power	Origination and management of, and investment in, distributed power investments.
Real estate	Investment in, and development of, real estate properties and the provision of advisory and asset management services in respect of large-scale retail, entertainment and mixed-use properties.
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 three months ended March 31, 2023 and March 31, 2022 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.

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19. Segment information (continued):

For the three months ended	March 31, 2023						
	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Reportable segments							
External revenues ¹	\$ 7,273	\$ 8,357 ⁴	\$ -	\$ 547	\$ 455	\$ 423	\$ 17,055
Net change in unrealized gain of investments	-	-	-	-	-	-	-
Revenues	7,273	8,357	-	547	455	423	17,055
Share of earnings of Crown Partners Fund ²	-	-	1,350	-	-	-	1,350
Segment income (loss) before income taxes³	772	(925)	1,172	158	(293)	(1,835)	(951)
Cost of network services revenue	3,909	-	-	-	-	-	3,909
Cost of distribution services revenue	-	6,389	-	-	-	-	6,389
Financing costs	29	371	-	-	-	1,176	1,576
Depreciation	708	1,346	-	2	71	92	2,219
Income tax expense – current	252	14	-	-	-	-	266
Income tax recovery – deferred	(51)	(265)	-	(1)	(59)	(129)	(505)
Other material non-cash items:							
Performance bonus expense	-	-	178	-	-	-	178
Remeasurement of financial instruments	-	611	-	-	-	-	611
Net additions to (disposals of) property and equipment	294	266	-	-	-	-	560

¹ Three customers from the Corporation's "network services" segment and three customers of the Corporation's "distribution services" segment represented approximately \$2,523 and \$5,176, respectively, of the Corporation's total revenues.

² The Corporation's share of earnings 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 6).

³ Total segment income (loss) before income taxes represents the Corporation's consolidated income (loss) before income taxes. Management fee revenues earned from a certain consolidated entities are 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 impacted segment.

⁴ Distribution services revenue includes \$3,103 of warehousing and distribution services revenue and \$5,254 of freight management services revenue.

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19. Segment information (continued):

For the three months ended	March 31, 2022						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
External revenues ¹	\$ 6,739	\$ -	\$ -	\$ 325	\$ -	\$ 445	\$ 7,509
Net change in unrealized loss of investments	-	-	(300)	-	-	-	(300)
Revenues	6,739	-	(300)	325	-	445	7,209
Share of losses of Crown Partners Fund²	-	-	(4,446)	-	-	-	(4,446)
Segment income (loss) before income taxes³	1,298	-	(3,505)	106	-	(1,406)	(3,507)
Cost of network services revenue	3,068	-	-	-	-	-	3,068
Financing costs	54	-	-	-	-	522	576
Depreciation	874	-	-	-	-	94	968
Income tax expense (recovery) – current	434	-	-	-	198	(144)	488
Income tax recovery – deferred	(106)	-	-	-	(283)	(1,056)	(1,445)
Other material non-cash items:							
Performance bonus recovery	-	-	(1,241)	-	-	-	(1,241)
Net additions to property and equipment	229	-	-	(60)	-	-	169

¹ Revenues from three customers of the Corporation's "network services" segment represented approximately \$3,051 of the Corporation's total revenues.

² 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 6).

³ Total segment income (loss) before income taxes represents the Corporation's consolidated income (loss) before income taxes. Management fee revenue earned from 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.

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19. Segment information (continued):

As at	March 31, 2023						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Segment assets ^{1,2}	\$ 25,807	\$ 32,045	\$ 28,127	\$ 40,237	\$ 28,058	\$ 18,489	\$ 172,763
Segment liabilities ^{1,2}	9,383	25,240	3,287	23,472	12,822	48,616	122,820

¹ Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

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

As at	December 31, 2022						
Reportable segments	Network services	Distribution services	Specialty finance	Distributed power	Real estate	Corporate and other	Total
Segment assets ^{1,2}	\$ 23,849	\$ 32,867	\$ 36,658	\$ 37,810	\$ 27,535	\$ 7,943	\$ 166,662
Segment liabilities ^{1,2}	8,199	27,941	3,109	22,139	12,478	42,126	115,992

¹ Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

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

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20. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at March 31, 2023:

As at March 31, 2023 the Corporation, through Crown Power Fund, had committed to contracts valued at \$31,195 in relation to the construction of power generation assets, of which \$20,846 was funded and included in property and equipment under development and related deposits, \$4,398 was funded and included in property and equipment and \$5,951 was unfunded, of which \$3,382 was attributable to non-controlling interests.

The Corporation, through Crown Capital Funding Corporation ("CCFC"), has an aggregate commitment to provide funding to Crown Partners Fund and Crown Capital Fund IV Investment, LP ("CCF IV Investment") of \$16,028 as at March 31, 2023. 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 \$2,028 as at March 31, 2023. 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 Inc., has an aggregate commitment with respect to its use of broadband network infrastructure of \$890 as at March 31, 2023.

As at March 31, 2023, the Corporation, through Galaxy, has an aggregate commitment with respect to its use of broadband network infrastructure of \$74,873 over a six-year period, inclusive of an aggregate commitment denominated in U.S. dollars of US\$54,677.

Year	Purchase commitment
2023	\$ 10,409
2024	16,381
2025	16,719
2026	14,334
2027	13,516
2028	3,514
Total	\$ 74,873

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20. Commitments and contingencies (continued):

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 \$1,341 as at March 31, 2023 (December 31, 2022 - \$1,409), and which are secured by common shares of the Corporation owned by such participants with a value of \$3,157 as at March 31, 2023 (December 31, 2022 - \$3,575).

The Corporation, through Community Network Partners Inc. ("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 (loss) income.

21. Subsequent events

On April 12, 2023, the Corporation issued a management information circular in connection with a special meeting of the holders ("Debentureholders") of the Convertible Debentures to be held on May 16, 2023, at which meeting the Debentureholders will be asked to vote upon a package of amendments to the terms of the Convertible Debentures. The amendments proposed by the Corporation are to (i) extend the maturity of the Convertible Debentures from June 30, 2023 to December 31, 2024; (ii) amend the interest rate on the Convertible Debentures from 6% to 10%; (iii) remove the conversion rights of the Debentureholders; and (iv) remove the right of the Corporation to repay the principal amount of the Convertible Debentures in common shares of the Corporation on the new maturity date or any redemption date.

On April 13, 2023, 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, 2023, 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.