



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

ORGANIZATION OF THE MANAGEMENT’S DISCUSSION AND ANALYSIS (“MD&A”)

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“Crown”, the “Corporation”, “we”, “us” or “our” refers to Crown Capital Partners Inc. and its consolidated subsidiaries.

Please refer to the Glossary of Terms which defines the names used throughout the MD&A in reference to operating companies, limited partnerships, portfolio companies and their respective subsidiaries.

Please also refer to Part 7 – Non-IFRS Measures where we discuss and define certain non-IFRS financial measures that we use to measure our business.

This MD&A should be read in conjunction with our unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2023 and the notes thereto, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”); our MD&A in respect of the year ended December 31, 2022; our audited annual consolidated financial statements as at and for the year ended December 31, 2022 and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB, and our other recent filings with Canadian securities regulatory authorities.

Additional information about the Corporation, including our Annual Information Form, is available on our website at www.crowncapital.ca and on the Canadian Securities Administrators’ website at www.sedar.com. Information contained in or otherwise accessible through the websites mentioned does not form part of this report. All references in this report to websites are inactive textual references and are not incorporated by reference.

PART 1 – OUR BUSINESS

BUSINESS OVERVIEW

Crown is an investment company that makes strategic investments, provides investment management services and co-invests in certain of our managed funds. We have operations and/or material investments in each of the network services, distribution services, specialty finance, distributed power and real estate markets. In the distributed power market and, prior to July 13, 2021, in the specialty finance market, we act(ed) as both an asset manager of capital pools invested in alternative asset classes, and as a direct investor, including minority ownership interests in certain of our managed investment funds.

Crown was founded by Crown Life Insurance Company and owned by it until 2002. We completed an initial public offering (“**IPO**”) in 2015 and our common shares (“**Common Shares**”) trade on the Toronto Stock Exchange under the symbol TSX:CRWN.

Our financial reporting features six reportable segments, as summarized below:

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	Includes our investments in Crown Partners Fund and in corporate debt and equity securities.
Distributed power	Origination and management of, and investment in, distributed power investments held through Crown Power Fund.
Real estate	Ownership 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 our credit reporting subsidiary, Lumbermens, in addition to assets, liabilities, revenues and expenses that do not pertain directly to other reportable segments.

A summary of information presented in respect of reportable segments as at and for the three months ended March 31, 2023 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2023 (THOUSANDS)	Reportable Segments						Total
	Network Services	Distribution Services	Specialty Finance	Distributed Power	Real Estate	Corporate and Other	
Assets.....	\$ 25,807	\$ 32,045	\$ 28,127	\$ 40,237	\$ 28,058	\$ 18,489	\$ 172,763
Liabilities excl. non-controlling interests.....	9,383	25,240	3,287	53	12,822	48,616	99,401
Non-controlling interests.....	-	-	-	23,419	-	-	23,419
Net assets.....	16,424	6,805	24,840	16,765	15,236	(30,127)	49,943
Revenues.....	7,273	8,357	-	547	455	423	17,055
Share of earnings of Crown Partners Fund.....	-	-	1,350	-	-	-	1,350
Cost of network services revenue.....	3,909	-	-	-	-	-	3,909
Cost of distribution services revenue.....	-	6,389	-	-	-	-	6,389
Depreciation.....	708	1,346	-	2	71	92	2,219
Finance costs.....	29	371	-	-	-	1,176	1,576
Income (loss) before income taxes.....	772	(925)	1,172	158	(293)	(1,835)	(951)

1. For more information, refer to Note 19 - *Segment information* of the condensed consolidated interim financial statements.

A summary of information presented in respect of reportable segments as at and for the three months ended March 31, 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 (THOUSANDS)	Reportable Segments						Total
	Network Services	Distribution Services	Specialty Finance	Distributed Power	Real Estate	Corporate and Other	
Assets.....	\$ 16,660	\$ -	\$ 45,805	\$ 32,681	\$ 25,932	\$ 9,182	\$ 130,260
Liabilities excl. non-controlling interests.....	6,492	-	3,356	583	10,706	34,826	55,963
Non-controlling interests.....	-	-	-	18,740	-	-	18,740
Net assets.....	10,168	-	42,449	13,358	15,226	(25,644)	55,557
Revenues.....	6,739	-	(300)	325	-	445	7,209
Share of losses of Crown Partners Fund.....	-	-	(4,446)	-	-	-	(4,446)
Cost of network services revenue.....	3,068	-	-	-	-	-	3,068
Depreciation.....	874	-	-	-	-	94	968
Finance costs.....	54	-	-	-	-	522	576
Income (loss) before income taxes.....	1,298	-	(3,505)	106	-	(1,406)	(3,507)

1. For more information, refer to Note 19 - *Segment information* of the condensed consolidated interim financial statements.

For discussion regarding each of our reportable segments, please refer to *Part 3 – Review of Operations*.

BASIS OF CONSOLIDATION

All entities that we control are consolidated for financial reporting purposes. Certain contractual arrangements also provide us with the irrevocable ability to direct the activities of managed funds such that we are deemed to control entities in which we hold only a minority economic interest. As a result, we include 100% of the revenues and expenses of Crown Power Fund in our Consolidated Statements of Comprehensive (Loss) Income, even though a substantial portion of net income of this subsidiary is attributable to non-controlling interests. Furthermore, we include all assets and liabilities of Crown Power Fund in our Consolidated Statements of Financial Position and include the portion of equity held by others as non-controlling interests.

Intercompany revenues and expenses between Crown and its subsidiaries are eliminated in our Consolidated Statements of Comprehensive (Loss) Income; however, certain of these items affect the attribution of net income between shareholders of the Corporation (“**Shareholders**”) and non-controlling interests. For example, management

fees paid by investment fund subsidiaries are eliminated from consolidated revenues and expenses. However, as the Shareholders are attributed all of the fee revenues while only attributed their proportionate share of the investment funds' expenses, the amount of net income attributable to Shareholders is increased with a corresponding decrease in the net income attributable to non-controlling interests.

The financial results of the Corporation as at and for the three months ended March 31, 2023 discussed in this MD&A include the results of operations of CCF III, CCFC, Crown Partners Fund as an equity-accounted associate, Crown Partners Fund GP, Crown Power Fund, Crown Power GP, Crown Private Credit Fund, Onsite Power, WireIE and its wholly owned subsidiaries WireIE Canada and WireIE Development Inc, WireIE Inc., Galaxy, Community Network Partners, PenEquity Development GP Inc., PDLP, PSCC, PBC, Lumbermens, Go Direct Global and its wholly owned subsidiaries Go Direct SCS and Go Direct America from the date of its acquisition on June 24, 2022 and, from January 1, 2023, PenEquity Inc.

PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS

The following section contains a discussion and analysis of line items presented within our unaudited condensed consolidated interim financial statements.

OVERVIEW

For the three months ended March 31, 2023, we recognized a net loss of \$(0.7) million compared with net loss of \$(2.6) million in the three months ended March 31, 2022. Highlights in respect of our results for the three months ended March 31, 2023 include the following:

- Our Network Services segment contributed net income before income taxes of \$0.8 million (2022 – \$1.3 million), inclusive of depreciation and amortization expense totaling \$0.7 million (2022 - \$0.9 million). Network Services revenue increased by 8% compared with Q1 2022 due to the commencement of new projects of Community Network Partners in Q1 2023, which more than offset year-over-year declines in revenue from each of WireIE, which experienced a net cancellation of customer contracts in mid-2022, and, to a lesser extent, Galaxy.
- Our Distribution Services segment recorded a net loss before income taxes of \$(0.9) million (2022 - \$nil), inclusive of depreciation and amortization expense totaling \$1.3 million, of which a net loss of \$(0.3) million related to Go Direct SCS, with the remaining net loss attributable to the ongoing ramp up of three facilities that commenced commercial operations in 2022. Distribution Services revenue increased by 28% compared with Q4 2022 due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and to contractual inflation-related price increases that came into effect on January 1, 2023.
- Effective January 1, 2023, PenEquity Inc. acquired certain customer contracts from PenEquity Realty in exchange for consideration of \$1.0 million comprised of the partial settlement of a loan outstanding from Crown to PenEquity Realty. Effective January 1, 2023, PenEquity Inc. commenced commercial operations providing advisory and asset management services in respect of large-scale retail, entertainment and mixed-use properties.
- For the three months ended March 31, 2023, our share of earnings of Crown Partners Fund totaled \$1.4 million (2022 – loss of \$(4.4) million), including \$0.4 million (2022 – loss of \$2.5 million) in respect of our general partnership interest as a result of an increase in the accrued performance bonus payable to us by the fund and \$1.0 million (2022 – loss of \$2.0 million) in respect of our limited partnership interest. Compared with December 31, 2022, the carrying value of our investment in Crown Partners Fund declined by \$7.5 million owing to \$8.9 million (i.e., Crown’s share) of distributions declared by the fund, primarily representing a passthrough of loan repayment receipts, which more than offset our share of the fund’s earnings for the three months ended March 31, 2023.
- In the three months ended March 31, 2023, we recorded a performance bonus expense of \$0.2 million (2022 – performance bonus recovery of \$1.2 million) reflecting a change in the level of accrued performance fee relating to Crown Partners Fund based on the performance of its investments in the period.
- Effective February 7, 2023, Crown entered into a new senior secured corporate credit facility with Canadian Western Bank with an aggregate commitment of up to \$43.5 million. The new facility is comprised of (i) an amortizing term loan of up to \$30.0 million, including a \$25.0 million initial advance plus \$5.0 million to be advanced upon request by Crown prior to June 30, 2023, with a maturity date of February 7, 2028; (ii) an operating loan of up to \$10.0 million with availability subject to margin condition restrictions, and (iii) a letter of credit facility of up to \$3.5 million.
- On April 12, 2023, we issued a management information circular in connection with a special meeting of the holders (“Debtentureholders”) of our convertible debentures to be held on May 16, 2023, at which meeting the Debtentureholders will be asked to vote upon a package of amendments to the terms of the convertible debentures. The amendments proposed by Crown are to (i) extend the maturity of our convertible debentures from June 30, 2023 to December 31, 2024; (ii) amend the interest rate on our convertible debentures from 6% to 10%; (iii)

remove the conversion rights of the Debentureholders; and (iv) remove our right to repay the principal amount of our convertible debentures in Common Shares on the new maturity date or any redemption date.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the Corporation for the three months ended March 31, 2023 and 2022:

FOR THE PERIODS ENDED MAR. 31 (THOUSANDS)	Three Months Ended		
	2023	2022	Change
Revenues			
Distribution services revenue.....	\$ 8,357	\$ -	\$ 8,357
Network services revenue.....	7,273	6,739	534
Fees and other income.....	883	451	432
Interest revenue.....	542	319	223
Net change in unrealized losses of investments.....	-	(300)	300
Total revenue	17,055	7,209	9,846
Share of earnings (losses) of Crown Partners Fund.....	1,350	(4,446)	5,796
Expenses			
Cost of distribution services revenue.....	(6,389)	-	(6,389)
Cost of network services revenue.....	(3,909)	(3,068)	(841)
Salaries and benefits.....	(3,532)	(1,892)	(1,640)
Share-based compensation.....	112	(165)	277
Performance bonus (expense) recovery.....	(178)	1,241	(1,419)
General and administration.....	(2,025)	(678)	(1,347)
Foreign exchange loss.....	(37)	-	(37)
Depreciation.....	(2,219)	(968)	(1,251)
Provision for expected credit losses.....	(2)	(23)	21
Finance costs.....	(1,576)	(576)	(1,000)
Total expenses	(19,755)	(6,129)	(13,626)
Loss before other adjustments and income taxes	(1,350)	(3,366)	2,016
Remeasurement of financial instruments.....	611	-	611
Non-controlling interests.....	(212)	(141)	(71)
Income tax recovery.....	239	957	(718)
Net loss and comprehensive loss.....	(712)	(2,550)	1,838
Net loss per share attributable to Shareholders - basic.....	\$ (0.13)	\$ (0.38)	\$ 0.25
Net loss per share attributable to Shareholders - diluted.....	\$ (0.13)	\$ (0.38)	\$ 0.25

Distribution Services Revenue

Through its wholly owned subsidiary Go Direct Global, which was acquired on June 24, 2022, the Corporation earns revenue in relation to its provision of distribution services, including warehousing, distribution services and freight management services. Distribution services revenue totaled \$8.4 million in the three months ended March 31, 2023 (2022 - \$nil), an increase of \$1.8 million compared with \$6.5 million in the three months ended December 31, 2022 with the increase attributable primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and to contractual inflation-related price increases that came into effect on January 1, 2023.

Network Services Revenue

Through its wholly owned subsidiaries Galaxy, WireIE Inc. and Community Network Partners, the Corporation earns revenue in relation to the provision of network services. Network services revenue is comprised of contractual revenue related to the access and usage of telecommunications infrastructure in addition to revenue from professional services, network support, maintenance and repair services, and hardware sales.

The Corporation's revenues in the three months ended March 31, 2023 include network services revenue of \$7.3 million (2022 - \$6.7 million), representing an increase of 8% compared with Q1 2022. This year-over-year increase was attributable to the commencement of new projects of Community Network Partners during Q1 2023, which more than offset declines in revenue from each of WireIE, which experienced a net cancellation of customer contracts in mid-2022, and, to a lesser extent, Galaxy.

The vast majority of network services revenue is contractual revenue in relation to the access and usage of telecommunications infrastructure comprised of both up-front payments by the customer related to the installation of network elements, which are deferred and recognized on a straight line basis over the life of the contract, and monthly recurring revenues relating to the ongoing operation of network services that are recognized as the service is rendered over the term of the arrangement.

Fees and Other Income

In the three months ended March 31, 2023, we recognized fees and other income totaling \$0.9 million (2022 - \$0.5 million), comprised primarily of credit reporting income of \$0.4 million (2022 - \$0.4 million) and property management income of \$0.5 million (2022 - \$nil). The increase in fees and other income compared with the prior year period is due to the addition of property management income effective January 1, 2023 in respect certain property management services contracts acquired from PenEquity Realty by PenEquity Inc.

Interest Revenue

Interest revenue totaled \$0.5 million in the three months ended March 31, 2023 compared with \$0.3 million in the three months ended March 31, 2022. All interest revenue represents interest revenue recognized by Crown Power Fund, comprised of interest earned on net investment in leased distributed power equipment and interest capitalized to distributed power equipment under development and related deposits that will be subsequently recovered through receipt of lease payments over the duration of lease contracts in relation to such assets. Interest revenue recognized by the Crown Power Fund increased by \$0.2 million with increases in investment in leased distributed power equipment and property and equipment under development.

Of total consolidated interest revenue, \$0.2 million was attributable to Shareholders in the three months ended March 31, 2023 compared with \$0.1 million in the three months ended March 31, 2022.

Net Investment Gains (Losses)

For the three months ended March 31, 2023, we did not recognize any net investment gain or loss. For the three months ended March 31, 2022, we recognized a net unrealized loss on investments of \$(0.3) million in respect of a single loan investment.

Share of Earnings (Losses) of Crown Partners Fund

We recognize our investment in Crown Partners Fund as an investment in associate accounted for using the equity method, and, accordingly, we recognize our share of earnings (losses) of Crown Partners Fund, which is comprised of our proportionate share of the reported earnings (losses) of Crown Partners Fund in respect of each of our limited partnership and general partnership interests in that fund.

For the three months ended March 31, 2023, our share of earnings (losses) of Crown Partners Fund totaled \$1.4 million (2022 - \$(4.4) million), of which \$1.0 million is in respect of our effective ownership of 28.0% of the limited partnership units of Crown Partners Fund (2022 - \$(2.0) million), and \$0.4 million is in respect of our general partnership interest in the fund and which represents the change during the period in the accrued value of the performance fee that Crown, as general partner, will be entitled to receive (2022 - \$(2.5) million). The year-over-year improvement is primarily due to the recognition of a larger provision for expected credit loss in the first quarter of 2022, which negatively impacted our share of losses in respect of each of our limited partnership and general partnership interests. Compared with the prior-year, a reduction in the average level of invested assets also contributed to the earnings variances.

We provide additional detail regarding the share of earnings of Crown Partners Fund in *Note 6 – Investment in Crown Partners Fund* of the unaudited condensed consolidated interim financial statements.

Expenses

Through its Distribution Services business, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of distribution services since the acquisition of Go Direct Global on June 24, 2022. For the three months ended March 31, 2023, the cost of distribution services revenue totaled \$6.4 million (2022 - \$nil), and includes costs associated with the usage of third-party logistics partners, directly attributable labour costs and other costs of distribution.

Through its Network Services businesses, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of network services. For the three months ended March 31, 2023, the cost of network services revenue totaled \$3.9 million (2022 - \$3.1 million), primarily comprised of bandwidth fees of \$2.3 million and \$0.6 million of costs in relation to new projects of Community Network Partners than commenced during Q1 2023.

Salaries and benefits expense for the three months ended March 31, 2023 increased by \$1.6 million, primarily due to the acquisition of Go Direct Global on June 24, 2022 and, to a lesser extent, to the hiring of the staff of PenEquity Inc. effective January 1, 2023. Net of amounts related to Go Direct Global and PenEquity Inc., salaries and benefits expense for the three months ended March 31, 2023 increased by \$0.3 million compared with the prior year period, with the increase attributable primarily to the Network Services businesses.

Share-based compensation expense includes changes in the carrying value of liabilities in relation to director deferred share units (“**DDSU**s”) which are influenced by changes in the trading price of Common Shares, and by the issuance and redemption of DDSUs. Share-based compensation for the three months ended March 31, 2023 of \$(0.1) million (2022 –\$0.2 million) related primarily to the impact of a decrease in the trading price of the Common Shares on the valuation of the DDSUs. Additional information about share-based compensation can be found in *Note 11, Share-based compensation* in the Corporation’s unaudited condensed consolidated interim financial statements.

In the three months ended March 31, 2023, we recognized a performance bonus expense of \$0.2 million (2022 – recovery of \$1.2 million) reflecting a change in the level of accrued performance fee relating to Crown Partners Fund based on the performance of its investments in the quarter. The Corporation, through its 100%-owned subsidiary Crown Partners Fund GP, is the general partner of Crown Partners Fund and, as such, will be entitled to receive any performance fee distribution paid by Crown Partners Fund, of which 50% will be paid to certain individuals, primarily employees and ex-employees.

General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. General and administration expenses totaled \$2.0 million in the three months ended March 31, 2023 (2022 - \$0.7 million). Excluding amounts in relation to Go Direct Global, which was acquired in June 2022 and PenEquity Inc., which commenced commercial operations on January 1, 2023, general and administration expenses for the three months ended March 31, 2023 increased by \$0.3 million relative to the prior-year period.

The foreign exchange loss of \$0.04 million in the three months ended March 31, 2023 (2022 - \$nil) mostly relates to the Corporation's foreign currency exposure to an intercompany loan between Go Direct Global and Go Direct America. While the loan is eliminated on consolidation, the results of foreign currency fluctuations are presented as a foreign exchange gain (loss) in net (loss) income.

In the three months ended March 31, 2023, depreciation expense totaled \$2.2 million compared to \$1.0 million in the three months ended March 31, 2022, and was comprised primarily of:

- depreciation of the right-of-use assets associated with network services equipment, property and vehicle lease arrangements of Network Services businesses totaling \$0.1 million (2022 - \$0.2 million);
- depreciation of network services equipment totaling \$0.3 million (2022 - \$0.3 million);
- depreciation of premises and related equipment totaling \$1.2 million, primarily relating to the depreciation of the right-of-use assets recognized in respect of the leased premises of Go Direct Global (2022 - \$0.07 million); and
- amortization of \$0.6 million in relation to customer contracts recognized as intangible assets with finite useful lives (2022 - \$0.4 million).

Finance costs totaled \$1.6 million in the three months ended March 31, 2023 compared to \$0.6 million in the three months ended March 31, 2022, and were comprised of:

- current period interest accruals, standby fees and the amortization of deferred financing costs related to Crown's corporate-level credit facilities totaling \$0.8 million (2022 - \$0.1 million), with the year-over-year increase due to a higher average level of debt outstanding in relation to these facilities;
- interest expense and the amortization of deferred finance costs in relation to the Convertible Debentures, determined using the effective interest rate method as these debentures are measured at amortized cost, of \$0.4 million (2022 - \$0.4 million); and
- interest in relation to right-of-use lease arrangements totaling \$0.4 million (2022 - \$0.1 million).

In the three months ended March 31, 2023, a gain of \$0.6 million was recorded as a remeasurement of financial instruments due to a revised estimate of the fair value of long-term debt in respect of Crown's Go Direct SCS subsidiary.

Income Taxes

We recorded an aggregate income tax (recovery) of \$(0.2) million in the three months ended March 31, 2023 (2022 – \$(1.0) million). Included in aggregate income tax (recovery) in the three months ended March 31, 2023 is current tax expense of \$0.3 million (2022 –\$0.5 million) and deferred tax (recovery) of \$(0.5) million (2022 –\$(1.5) million).

For the three months ended March 31, 2023, the amortization of intangible assets in relation to Galaxy and Lumbermens, losses relating to Go Direct SCS and WireIE and non-cash share-based compensation expense were not deductible for purposes of determining current income tax expense.

The Corporation’s consolidated statutory tax rate for the three months ended March 31, 2023 on earnings before income taxes attributable to Shareholders was 24.8% (2022 – 24.8%). Certain of our operations are held in partially owned “flow through” limited partnerships, and any tax liability is incurred by the investors as opposed to the entity. As a result, while our consolidated earnings include income attributable to non-controlling ownership interests in these entities, our consolidated tax provision includes only income tax on our proportionate share of the income of these entities. In other words, we are consolidating all of the net income, but only our share of the associated tax provision.

The deferred income tax asset at March 31, 2023 of \$2.1 million (December 31, 2022 – \$1.6 million) and deferred tax recovery for the three months ended March 31, 2023 result primarily from non-capital losses available for carry-forward to the extent they are supported by the expectation of future taxable profits, performance bonus expenses/recoveries which are not deductible for tax purposes until they are paid in future periods, the portion of the provision for credit losses that is not deductible in the current period for tax purposes, book values in excess of tax undepreciated capital cost pools relating to property and equipment, and book value in excess of tax cost base for the investment in Crown Partners Fund.

Foreign currency translation adjustment

The foreign currency translation adjustment of \$nil million (December 31, 2022 - \$0.04 million) relates to the translation of the results and financial position of Go Direct America, a wholly owned subsidiary of Crown with a functional currency different from Crown’s presentation currency. All resulting exchange differences from the translation of assets and liabilities at the closing rate at the reporting date, and income and expenses at average exchange rates are recognized in other comprehensive income as part of a foreign currency translation adjustment.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the Corporation as at March 31, 2023 and December 31, 2022:

AS AT MAR. 31 2023 AND DEC. 31 2022 (THOUSANDS)	2023	2022	Change
Assets			
Cash and cash equivalents.....	\$ 16,817	\$ 7,244	\$ 9,573
Accounts receivable and other assets.....	23,627	22,140	1,487
Investments.....	1,101	2,101	(1,000)
Investment in Crown Partners Fund.....	27,027	34,557	(7,530)
Customer contracts.....	7,435	7,051	384
Property and equipment.....	34,130	35,219	(1,089)
Net investment in leased distributed power equipment.....	12,149	11,994	155
Property and equipment under development and related deposits.....	50,477	46,356	4,121
Total assets	\$ 172,763	\$ 166,662	\$ 6,101
Liabilities			
Accounts payable and other liabilities.....	\$ 18,190	\$ 17,787	\$ 403
Mortgages payable.....	11,900	11,900	-
Lease obligations.....	19,355	20,305	(950)
Provision for performance bonus.....	3,287	3,109	178
Credit facilities.....	24,298	18,067	6,231
Convertible debentures - liability component.....	19,883	19,770	113
Long-term debt.....	2,488	2,984	(496)
Non-controlling interests.....	23,419	22,070	1,349
Equity			
Share capital.....	48,264	48,281	(17)
Convertible debentures - equity component.....	483	483	-
Contributed surplus.....	15,184	15,184	-
Translation reserve.....	35	35	-
Deficit.....	(14,023)	(13,313)	(710)
Total equity	49,943	50,670	(727)
	\$ 172,763	\$ 166,662	\$ 6,101

1. The presentation of the summary balance sheet information shown above differs from the presentation in the Condensed Consolidated Interim Statements of Financial Position in the Corporation's unaudited condensed consolidated interim financial statements in that it aggregates certain assets and liabilities under the "accounts receivable and other assets" and "accounts payable and other liabilities" categories and is not presented on a classified basis.

Consolidated assets at March 31, 2022 were \$172.8 million, an increase of \$6.1 million since December 31, 2022. This increase was due primarily to increases in cash and property and equipment under development and related deposits, partially offset by a reduction in the carrying value of Crown Partners Fund due primarily to distributions from the fund of proceeds received from the repayment and sale of certain of its investments.

Assets

Cash and cash equivalents of \$16.8 million as at March 31, 2023 increased by \$9.6 million from the December 31, 2022 balance. For further information, refer to our unaudited condensed consolidated interim financial statements of cash flows and to *Part 4 – Capitalization and Liquidity*.

Accounts receivable and other assets of \$23.6 million as at March 31, 2023 (December 31, 2022 - \$22.1 million) consists of accounts receivable, income taxes recoverable, prepaid expenses and deposits, inventory, goodwill and deferred income taxes. The largest component, accounts receivable, is comprised primarily of amounts receivable in relation to network services contracts and distribution services, distributions receivable from Crown Partners Fund and share purchase loans.

Accounts receivable and other assets increased by \$1.5 million primarily due to a \$0.6 million increase in inventory and a \$0.5 million increase in deferred income taxes.

Investments of \$1.1 million as at March 31, 2023 (December 31, 2022 – \$2.1 million) is comprised primarily of a loan to PenEquity Realty that is carried at amortized cost with an aggregate carrying value of \$1.1 million, which is equal to its fair value, net of an allowance for credit losses of \$15.7 million. In the three months ended March 31, 2023, the carrying value of this loan reduced by \$1.0 million due to the partial extinguishment of the amount owing by PenEquity Realty in connection with the acquisition of customer contracts from PenEquity Realty by Crown's subsidiary PenEquity Inc. The carrying value of other investments carried at FVTPL, currently comprised of a single equity investment, was \$0.03 million as at March 31, 2023 (December 31, 2022 - \$0.03 million).

As at March 31, 2023, the PenEquity Realty loan, with a carrying value of \$1.1 million (December 31, 2022 - \$2.1 million), is considered to be credit-impaired and as such it is classified as Stage Three, for which credit provisions are determined based on *lifetime* expected credit losses. There were no investments transferred between stages in the three months ended March 31, 2023.

Investment in Crown Partners Fund represents the Corporation's effective interest of 28.0% in Crown Partners Fund, including both limited partnership and general partnership interests. The balance at March 31, 2023 of \$27.0 million (December 31, 2022 - \$34.6 million) includes \$20.5 million in respect of the limited partnership interest and \$6.6 million in respect of the general partner interest (December 31, 2022 - \$28.3 million and \$6.2 million, respectively). The decrease of \$7.5 million in the three months ended March 31, 2023 reflects distributions declared by the fund, which more than offset our share of earnings of Crown Partners Fund in the period.

The customer contracts balance of \$7.4 million as at March 31, 2023 (December 31, 2022 – \$7.1 million) is an intangible asset and is comprised of the following:

- Network services customer contracts of \$3.3 million as at March 31, 2023 (December 31, 2022 - \$3.5 million) that represent the fair value of service contracts assumed on the acquisitions of Galaxy and WireIE, net of subsequent amortization and impairment of \$4.5 million and \$1.7 million, respectively. Network services contracts are amortized on a straight-line basis over estimated useful lives ranging between 4-6 years;
- Credit reporting customer contracts of \$0.7 million (December 31, 2022 – \$0.7 million) represent the fair value of service contracts assumed on the acquisition of Lumbermens, net of subsequent amortization of \$0.4 million, which are amortized on a straight-line basis over estimated useful lives ranging between 5-10 years;
- Distribution services customer contracts of \$2.6 million (December 31, 2022 - \$2.8 million) represent the fair value of service contracts assumed on the acquisition of Go Direct Global in June 2022, net of subsequent

amortization of \$0.8 million, which are amortized on a straight-line basis over estimated useful lives ranging from 3-5 years; and

- Real estate customer contracts of \$0.9 million (December 31, 2022 – \$nil) represent the fair value of service contracts acquired on January 1, 2023, net of subsequent amortization of \$0.1 million, which are amortized on a straight-line basis over estimated useful lives ranging between 3-4 years.

Property and equipment of \$34.1 million as at March 31, 2022 (December 31, 2022 - \$35.2 million) is comprised of:

- network services equipment, including right-of-use assets in relation to leased equipment and properties, of \$5.1 million (December 31, 2022 - \$5.3 million) that relate to Network Services businesses;
- distributed power equipment of \$6.2 million (December 31, 2022 - \$6.2 million) representing power generation assets acquired by Crown Power Fund that are not assigned for use in specific projects in development; and
- premises and related equipment of \$22.9 million (December 31, 2022 - \$23.7 million), primarily comprised of \$17.8 million of right of use assets in relation to the leased facilities of Go Direct Global located in Mississauga, Ontario, Calgary, Alberta, Columbus, Ohio and Reno, Nevada, \$4.0 million of related equipment of Go Direct Global, and \$0.5 million of right of use assets in respect of Galaxy's office located in Mississauga, Ontario.

Net investment in leased distributed power equipment represents power generation assets subject to contractual lease agreements. There are six such leases in effect as at March 31, 2023 (December 31, 2022 – six leases), which were transferred from property and equipment under development and related deposits. The carrying balance at March 31, 2023 was \$12.1 million (December 31, 2022 - \$12.0 million).

Property and equipment under development and related deposits of \$50.5 million as at March 31, 2023 (December 31, 2022 - \$46.4 million) consists of (i) property under development of \$8.3 million comprising the carrying value of property owned by PSCC that is located in Hamilton, Ontario; (ii) property under development of \$13.6 million comprising the carrying value of property owned by PBC that is located in Barrie, Ontario and is in the course of residential development; (iii) additions to property under development of \$3.1 million made subsequent to the above-noted acquisitions; (iv) \$18.8 million of power generation assets in relation to projects under development; and (v) \$6.7 million of network services equipment under development.

The balance increased by \$4.1 million compared to December 31, 2022 due to additions to real estate property under development of \$0.3 million, additions to network equipment under development of \$1.5 million and additions to distributed power equipment under development of \$2.3 million, including capitalized interest and fees of \$0.3 million.

Liabilities

Accounts payable and other liabilities of \$18.2 million (December 31, 2022 - \$17.8 million) include accounts payable and accrued liabilities of \$12.8 million, a factor facility in respect of certain accounts receivable sold with recourse by Go Direct Global to a lender for cash proceeds of \$0.2 million, deferred revenue of \$2.8 million, a contingent consideration liability, and a deferred compensation liability. The balance increased by \$0.4 million in the three months ended March 31, 2023.

Effective May 27, 2022, Crown entered into an agreement for a non-amortizing mortgage payable of \$11.9 million 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 8.4%) per annum.

Lease obligations of \$19.4 million at March 31, 2023 (December 31, 2022 - \$20.3 million) are comprised of \$18.4 million in respect of lease obligations of Go Direct Global and \$1.0 million of lease obligations in relation to network services equipment and properties of Galaxy and WireIE Inc., including the usage of third-party tower space through network co-location arrangements. Lease obligations outstanding largely correspond with right-of-use lease assets included in property, office equipment and network services equipment.

The provision for performance bonus of \$3.3 million at March 31, 2023 (December 31, 2022 - \$3.1 million) reflects 50% of the performance fee accrued by Crown, as a component of investment in Crown Partners Fund as the value attributable to its general partnership interest in Crown Partners Fund, which is the portion that will be payable to certain individuals, primarily employees and ex-employees, commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners of Crown Partners Fund. To date, no amounts have been accrued in relation to either the performance fee or the corresponding provision for performance bonus in respect of Crown Power Fund.

Credit facilities of \$24.3 million as at March 31, 2023 (December 31, 2022 – \$18.1 million) were comprised of \$25.0 million outstanding under Crown’s senior secured corporate credit facility (the “**Crown Credit Facility**”), net of deferred finance costs in relation to the Crown Credit Facility of \$0.7 million.

For further information regarding credit facilities and Convertible Debentures, refer to *Part 4 – Capitalization and Liquidity*.

Long-term debt of \$2.5 million as at March 31, 2023 (December 31, 2022 - \$3.0 million) primarily represents debt payable by Go Direct SCS that is carried at estimated fair value, determined as the net present value of the estimated cash flows of Go Direct SCS available to service this debt. Any change in the fair value of this long-term debt resulting from a change in estimates will be recognized as a gain/(loss) on remeasurement of financial instruments. In the three months ended March 31, 2023, \$0.6 million was recorded in net loss as a remeasurement of financial instruments due to a revised estimate of the fair value of long-term debt. Crown does not accrue interest expense in relation to this long-term debt.

Non-controlling Interests

Non-controlling interests in our consolidated results consist of third-party interests in Crown Power Fund. Non-controlling interests increased by \$1.3 million in the three months ended March 31, 2023 due to contributions from non-controlling interests of \$1.1 million and net earnings attributable to non-controlling interests of \$0.2 million.

Equity

The following table presents the major contributors to the period-over-period changes for common equity:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2023	2022
Equity, beginning of period.....	<u>\$ 50,670</u>	<u>\$ 69,075</u>
Changes in period:		
Net loss attributable to Shareholders.....	(712)	(2,550)
Other comprehensive income for the period.....	-	-
Shares repurchased.....	(15)	(10,969)
Share-based compensation.....	-	1
	<u>(727)</u>	<u>(13,518)</u>
Equity, end of period.....	<u>\$ 49,943</u>	<u>\$ 55,557</u>

Total equity decreased by \$0.7 million in the three months ended March 31, 2023 primarily due to a net loss attributable to Shareholders of \$0.7 million.

In the three months ended March 31, 2023, the Corporation purchased and subsequently cancelled a total of 2,000 Common Shares pursuant to its normal course issuer bid (“NCIB”) for aggregate consideration of \$0.02 million (March 31, 2022 – 1,450,556 Common Shares pursuant to an NCIB and to a substantial issuer bid for total consideration of \$11.0 million).

SUMMARY OF QUARTERLY RESULTS

A range of factors impact variance in quarterly results. The derecognition of an investment previously recognized as a subsidiary, such as the derecognition of Crown Partners Fund as a subsidiary of Crown, effective July 13, 2021, impacts the comparability of certain financial items between periods. Prior to the derecognition of Crown Partners Fund as a subsidiary, the main factors affecting quarterly variances in interest revenue and fees and other income were completion of new investment transactions, loan repayments and loan amendments, and factors affecting net gains (losses) on investments, including both realized and unrealized gains (losses), changes in the fair value of loan investments carried at FVTPL caused by variations in benchmark interest rates and/or the credit status of portfolio companies as well as variations in market prices for publicly traded equity securities and estimated fair value of other equity securities held in the portfolio. Each of the aforementioned items, together with changes in the provision for credit loss of Crown Partners Fund caused by variations in the credit status of portfolio companies, represent the major factors affecting quarterly variances in share of earnings/losses of Crown Partners Fund. Factors impacting network services revenue include the acquisition of Network Services businesses and the growth of such businesses, including the impact of net customer additions or losses. Other notable causes of variance in quarterly results include contributions from acquired companies and changes in finance costs caused mainly by fluctuating levels of outstanding debt. Changes in Crown's percentage ownership interest in a fund due to additional subscriptions from Crown and/or additional subscriptions or redemptions from non-controlling interests impact net (loss) income attributable to Shareholders.

The following table provides selected quarterly information about the Corporation's financial condition and performance for the most recent eight quarters. Note that effective July 13, 2021, we derecognized Crown Partners Fund as a subsidiary and recognized it as an investment in associate accounted for using the equity method. As a result, many of our asset, liability, revenue and expense amounts as at and for the three-month periods ended June 30, 2021 and September 30, 2021 are not directly comparable to equivalent balances for subsequent periods.

FOR THE PERIODS ENDED (THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2023		2022			2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue:								
Distribution services revenue.....	\$ 8,357	\$ 6,528	\$ 6,971	\$ 572	\$ -	\$ -	\$ -	\$ -
Network services revenue.....	7,273	6,614	7,522	6,387	6,739	6,969	7,445	6,843
Fees and other income.....	883	424	428	606	451	386	151	917
Interest revenue.....	542	503	409	362	319	298	278	6,118
Net gain (loss) on investments.....	-	-	-	302	(300)	-	-	(781)
Total revenue.....	17,055	14,069	15,330	8,229	7,209	7,653	7,874	13,097
Share of earnings (losses) of Crown Partners Fund.....	1,350	\$ (680)	\$ 136	334	(4,446)	2,769	1,959	-
Net (loss) income attributable to Shareholders.....	(712)	(3,265)	(2,122)	462	(2,550)	200	844	(294)
Comprehensive (loss) income attributable to Shareholders.....	(712)	(3,265)	(2,087)	462	(2,550)	200	844	(294)
Total assets.....	172,763	166,662	157,152	153,154	130,260	140,115	151,038	332,545
Total equity.....	49,943	50,670	53,934	56,020	55,557	69,075	78,989	81,478
Per share:								
- Net (loss) income to Shareholders - diluted	\$ (0.13)	\$ (0.58)	\$ (0.38)	\$ 0.08	\$ (0.38)	\$ 0.02	\$ 0.10	\$ (0.03)
- Net (loss) income to Shareholders - basic	(0.13)	(0.58)	(0.38)	0.08	(0.38)	0.02	0.10	(0.03)
- Total equity per share - basic	8.85	8.98	9.56	9.93	9.85	9.74	9.37	9.05

RELATED PARTY TRANSACTIONS

The Corporation earns investment management fees pursuant to management agreements. The base annual management fee for Crown Power Fund is equal to 1.0% of total capital, as defined in the limited partnership agreement for this fund, which includes the sum of invested capital net of capital distributions and realized losses plus funded debt that has been invested into qualifying investments, also as defined in the limited partnership agreement. Crown provides certain limited partners with management fee discounts and Crown may voluntarily reduce its management fees such that the effective annualized management fee rates earned by Crown from these two funds are lower than the base rates specified above.

On consolidation, 100% of management fees earned from Crown Power Fund are eliminated against the management fees expensed by these funds.

The non-controlling interests of Crown Power Fund incur approximately 56.8% of the management fees while Crown effectively pays itself for the remaining 43.2% as a result of its ownership interest.

These transactions between Crown and its managed investment funds are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

As at March 31, 2023, there was an amount payable to Crown Power Fund by Crown of \$0.2 million (December 31, 2022 - \$0.3 million) that relates to a reimbursement of advances made by Crown Power Fund to a formerly affiliated Operating Partner that were subsequently determined to be unrecoverable.

The Corporation is party to a services agreement with CPCP, in which we hold a 12.5% equity interest and one member of management holds an aggregate equity interest of 20.0%, subject to which we provide certain accounting and finance-related services for CPCP in exchange for a monthly fee that represents market rate of remuneration for such services. This services agreement may be terminated by either party for any reason upon 90 days written notice.

Crown Partners Fund, of which the Corporation holds an effective interest of 28.0%, is party to an investment management agreement with CPCP subject to which CPCP provides investment management services in exchange for a monthly fee that represents market remuneration for such services.

Crown's wholly owned subsidiary CCF III is the general partner of NCOF LP, an investment fund that is managed by Crown and which maintains a loan investment in Go Direct SCS, another wholly owned subsidiary of Crown. As at March 31, 2023, there was an amount payable to Crown by NCOF LP of \$0.5 million (December 31, 2022 - \$0.5 million) that relates to accrued management fees.

PART 3 – REVIEW OF OPERATIONS

The following section contains an overview of our operations, including separate discussions for each of our six reportable segments: network services, distribution services, specialty finance, distributed power, real estate and corporate and other.

For a discussion of revenues by type, refer to *Part 2 – Review of Consolidated Financial Results*. For more information regarding the performance of our reportable segments, refer to *Note 19 – Segment information* in our unaudited condensed consolidated interim financial statements.

NETWORK SERVICES

Through its Galaxy, WireIE Inc. and Community Network Partners subsidiaries, Crown provides network connectivity to customers in underserved markets. Collectively, we refer to the operations of these subsidiaries as our network services segment (“**Network Services**”).

Through WireIE Inc., a wholly owned subsidiary, Crown owns and operates broadband networks that deliver reliable, scalable and secure network availability to businesses in underserved markets. Through wholly-owned Galaxy, an Ontario-based, satellite-focused network services company, Crown provides connectivity to remote and underserved enterprise customers across Canada. Through Community Network Partners, a wholly-owned subsidiary, Crown intends to provide connectivity to small, underserved communities across Canada, with those community network projects often structured to enable the subject communities to participate in the capital funding and subsequent profit sharing associated with their local projects.

Revenue earned by Network Services businesses includes network services revenue, comprised of contractual revenue related to the access and usage of telecommunications infrastructure in addition to revenue from professional services, network support, maintenance and repair services, and hardware sales.

Select financial information pertaining to the Network Services segment as at and for the three months ended March 31, 2023 and 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Network Services Segment		
	2023	2022	Change
Assets.....	\$ 25,807	\$ 16,660	\$ 9,147
Less: Liabilities.....	9,383	6,492	2,891
Net assets.....	16,424	10,168	6,256
Revenues.....	7,273	6,739	534
Cost of network services revenue.....	3,909	3,068	841
Depreciation.....	708	874	(166)
Finance costs.....	29	54	(25)
Income before income taxes.....	772	1,298	(526)

Outlook

Crown’s strategy regarding its investments in Network Services businesses involves the planned creation of a capital pool that invests in certain revenue-generating assets of the operating companies comprising this segment, including Community Network Partners Inc. Crown anticipates co-investing in this capital pool and seeking investments from third-party investors which would help to fund future asset growth, and from which Crown anticipates earning fees in relation to its role as manager of this capital pool.

On May 9, 2022, we announced that Community Network Partners has been selected as an Internet Service Provider under the *Ontario Connects: Accelerated High Speed Internet Program*. The aim of the program is to make reliable, high-speed internet connectivity available to every region in Ontario by the end of 2025. The maximum subsidy available to Community Network Partners under this program is approximately \$150 million, which is expected to be a material proportion of the network cost.

On February 2, 2023, we announced that Galaxy has entered into a five-year purchase commitment for the use of broadband network infrastructure with Network Access Associates Ltd. (“OneWeb”) to deliver low Earth orbit (“LEO”) connectivity solutions across Canada. Galaxy has an aggregate commitment with respect to its purchase of LEO connectivity solutions of \$67.4 million, based on a \$49.8 million U.S. dollar-denominated purchase commitment over five years.

DISTRIBUTION SERVICES

On June 24, 2022, Crown acquired 100% of the common shares, voting interests and preferred shares of Go Direct Global, a business engaged in the provision of warehousing, distribution services and freight management services. Consideration for this acquisition consisted of the extinguishment of the \$4.0 million balance of a pre-existing promissory note contract under which Crown had previously advanced amounts to satisfy Go Direct Global’s working capital requirements.

Go Direct Global operates directly from a facility located in Calgary, Alberta, and also operates through its wholly owned subsidiaries Go Direct America and Go Direct SCS. Go Direct America was formed in 2021 and its initial operating facilities, located in Columbus, Ohio and Reno, Nevada, commenced commercial operations in 2022. Go Direct Global’s legacy business, Go Direct SCS, operates primarily from its facility located in Mississauga, Ontario.

Whereas the earnings and cash flows generated by Go Direct America and Go Direct Global, on a non-consolidated basis, accrue in full to Crown, Crown does not anticipate directly accruing any financial benefit from its 100% equity ownership interest in Go Direct SCS. We anticipate that all cash flows of Go Direct SCS for the foreseeable future will be applied in service of a pre-existing debt burden, such that we do not expect any of its future cash flows will accrue to Crown. As a 100%-owned subsidiary, the net assets and operating results of Go Direct SCS are consolidated in the financial results of Crown. Notably, long-term debt of \$2.3 million as at March 31, 2023 (December 31, 2022 - \$2.9 million) represents debt payable by Go Direct SCS measured at fair value, which is determined as the net present value of the estimated cash flows of Go Direct SCS available to service this debt. Any change in the fair value of this long-term debt resulting from a change in estimates will be recognized as a gain/(loss) on remeasurement of financial instruments. In the three months ended March 31, 2023, a gain of \$0.6 million was recorded in net loss as a remeasurement of financial instruments due to a revised estimate of the fair value of long-term debt. Crown does not accrue interest expense in relation to this long-term debt.

Select financial information pertaining to the distribution services segment as at and for the three months ended March 31, 2023 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Distribution Services Segment		
	2023	2022	Change
Assets.....	\$ 32,045	\$ -	\$ 32,045
Less: Liabilities.....	25,240	-	25,240
Net assets.....	6,805	-	6,805
Revenues.....	8,357	-	8,357
Cost of distribution services revenue.....	6,389	-	6,389
Depreciation.....	1,346	-	1,346
Finance costs.....	371	-	371
Loss before income taxes.....	(925)	-	(925)

Outlook

We anticipate that Go Direct Global will experience revenue and earnings growth in the near term due to both increased capacity utilization of its Columbus, Ohio facility and from the ramp up of operations at its facilities in Calgary, Alberta, for which commercial operations commenced in the third quarter of fiscal 2022, and Reno, Nevada, which commenced commercial operations in the fourth quarter of fiscal 2022.

In addition to an emphasis on maintaining operating excellence across the organization through its current growth phase, our focus in respect of Go Direct Global is currently on securing additional customer commitments in order to increase the capacity utilization of its existing logistics facilities and, potentially, to support investment in additional facilities throughout North America.

SPECIALTY FINANCE

As at March 31, 2023, our specialty finance segment is comprised of our 28.0% (December 31, 2022 – 28.0%) effective interest in Crown Partners Fund, which is classified as an investment in associate, as well as a corporate loan to PenEquity Realty and a 12.5% (December 31, 2022 – 12.5%) equity interest in CPCP which are classified as investments.

Select financial information pertaining to the Specialty Finance segment as at and for the three months ended March 31, 2023 and 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS, UNLESS OTHERWISE NOTED)	Specialty Finance Segment		
	2023	2022	Change
Assets.....	\$ 28,127	\$ 45,805	\$ (17,678)
Less: Liabilities	3,287	3,356	(69)
Net assets.....	24,840	42,449	(17,609)
Revenues.....	-	(300)	300
Share of earnings (losses) of Crown Partners Fund.....	1,350	(4,446)	5,796
Income (loss) before income taxes.....	1,172	(3,505)	4,677
Additional information pertaining to Crown Partners Fund:			
Net assets attributable to limited partners - carrying value ¹	73,637	117,264	(43,627)
Net assets attributable to limited partners - fair value ²	73,637	118,142	(44,505)
Net assets attributable to general partner - carrying value and fair value ³	5,886	6,712	(826)
Crown's share of earnings (losses) attributable to limited partners.....	995	(1,964)	2,959
Crown's share of earnings (losses) attributable to the general partner.....	355	(2,482)	2,837
Crown's effective limited partnership interest.....	28.0%	28.0%	-

1. Represents the total carrying value of net assets as reported by Crown Partners Fund in accordance with IFRS.

2. Represents the total fair value of net assets attributable to limited partners as determined by its investment manager.

3. Fair value is equal to carrying value, which is determined based upon the fair value of net assets attributable to limited partners.

In the three months ended March 31, 2023, Crown Partners Fund received aggregate proceeds of \$29.5 million in respect of loan repayments, which were applied towards distribution payments to limited partners. Primarily as a result of these capital return distributions and offset by net income, the carrying value of net assets attributable to limited partners of Crown Partners Fund declined by \$27.9 million in the three months ended March 31, 2023. For more information regarding our investment in Crown Partners Fund, refer to *Note 6 – Investment in Crown Partners Fund* in our unaudited condensed consolidated interim financial statements.

Revenues of the Specialty Finance segment in the three months ended March 31, 2023 were \$nil (March 31, 2022 - \$(0.3) million). Share of earnings (losses) of Crown Partners Fund in the three months ended March 31, 2023 totaled \$1.4 million (March 31, 2022 – losses of \$4.4 million).

Outlook

Following the expiration of the investment term of Crown Partners Fund on December 31, 2021, the fund will no longer make new investments and the proceeds of all repayments and realizations of invested assets will be returned to limited partners upon receipt by the fund. The exact timing of such repayments and realizations, and therefore of the related capital return distributions to limited partners, including Crown, is unpredictable. However, we expect that all repayments and realizations will occur prior to the expiration of the term of Crown Partners Fund on September 30, 2025.

We do not plan to make any new loan investments.

DISTRIBUTED POWER

Crown participates in the distributed power market through its partially owned subsidiary Crown Power Fund, an investment fund established in June 2018 to invest directly in power generation assets that provide electricity under long-term contracts to mid- to large-scale electricity users. In February 2019, Crown Power Fund completed a closing with subscriptions that increased its total committed capital to \$57.9 million, including an aggregate capital commitment of \$28.4 million by third-party investors, and reduced our limited partnership interest in Crown Power Fund, which we hold through a wholly owned subsidiary CCFC, from 100.0% to 43.2%. In June 2022, the aggregate level of committed capital to Crown Power Fund was reduced to \$50.0 million through a proportionate reduction of the capital commitment of each limited partner.

Crown acts as investment manager of Crown Power Fund and, through a wholly owned subsidiary, is also the general partner of Crown Power Fund. In addition to revenues earned by the Corporation in relation to its partial ownership of Crown Power Fund, Crown also earns fees from non-controlling interests in relation to its management of Crown Power Fund (see *Part 2 – Review of Consolidated Financial Results – Related Party Transactions*).

Crown also anticipates earning revenue in relation to the partial interests that it holds, both directly and through Crown Power Fund, in multiple operating partners of Crown Power Fund (“**Operating Partners**”) as these Operating Partners achieve scale and profitability. Operating Partners are third-party entities engaged exclusively in sourcing, designing, constructing and operating distributed power projects on behalf of Crown Power Fund. The arrangements with each Operating Partner involve the granting of non-controlling ownership interests in the Operating Partner to each of Crown and Crown Power Fund for nominal consideration.

Select financial information pertaining to the distributed power segment as at and for the three months ended March 31, 2023 and 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Distributed Power Segment		
	2023	2022	Change
Assets.....	\$ 40,237	\$ 32,681	\$ 7,556
Less: Liabilities excl. non-controlling interests.....	53	583	(530)
Less: Non-controlling interests.....	23,419	18,740	4,679
Net assets.....	16,765	13,358	3,407
Revenues.....	547	325	222
Depreciation.....	2	-	2
Income before income taxes.....	158	106	52

As at March 31, 2023, Crown Power Fund's aggregate equipment-related investment was carried at \$37.1 million (December 31, 2022 - \$34.7 million) including amounts invested in distributed power equipment under development and related deposits (\$18.8 million), distributed power equipment (\$6.2 million, included in property and equipment) and net investment in leased distributed power equipment (\$12.1 million).

As at March 31, 2023, a total of six distributed power projects with an aggregate carrying value of \$12.1 million owned by Crown Power Fund are operational and under lease arrangements. In addition to existing projects under lease, Crown Power Fund has seven additional projects under development at various stages of completion, including four projects that are expected to become operational in the first half of fiscal 2023 and three projects that are expected to become operational in the second half of 2023.

As at March 31, 2023, the uncalled portion of capital commitments to Crown Power Fund by non-controlling interests was \$2.7 million.

Outlook

We remain focused on building out assets in Crown Power Fund and on advancing existing projects through to completion. We anticipate increasing our capital contribution to Crown Power Fund, subject to our current capital commitment of \$21.6 million, in support of continued project development.

REAL ESTATE

Crown participates in the real estate development market through its ownership of PSCC and PBC, which were both acquired from PenEquity Realty, to which Crown, through its wholly owned subsidiary Crown Private Credit Fund, has a loan outstanding. The assets of PSCC primarily include land located adjacent to a grocery-anchored community retail plaza located in Hamilton, Ontario. The assets of PBC are primarily comprised of land located adjacent to a retail plaza in Barrie, Ontario that is currently in the process of residential development.

Effective January 1, 2023, PenEquity Inc. acquired certain customer contracts from PenEquity Realty in exchange for consideration of \$1.0 million comprised of the partial settlement of a loan outstanding from Crown to PenEquity Realty. Effective January 1, 2023, PenEquity Inc. commenced commercial operations providing advisory and asset management services in respect of large-scale retail, entertainment and mixed-use properties.

Select financial information pertaining to the real estate segment as at and for the three months ended March 31, 2023 and 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Real Estate Segment		
	2023	2022	Change
Assets.....	\$ 28,058	\$ 25,932	\$ 2,126
Less: Liabilities.....	12,822	10,706	2,116
Net assets.....	15,236	15,226	10
Revenues.....	455	-	455
Depreciation.....	71	-	71
Loss before income taxes.....	(293)	-	(293)

This segment did not recognize any revenues or expenses from operations in the three months ended March 31, 2023 in respect of its real estate properties under development. Effective January 1, 2023, PenEquity Inc. commenced commercial operations and began to recognize property management revenue in respect of the customer contracts acquired from PenEquity Realty. Costs related to the establishment of the operations of PenEquity Inc. as well as \$0.1 million of amortization in respect of customer contracts contributed to the loss before income taxes of \$(0.3) million recognized in the first quarter.

Outlook

We intend to progress the development of the properties of PSCC and PBC located in Stoney Creek, Ontario and Barrie, Ontario, respectively, and do not anticipate recognizing revenue in respect of either PSCC or PBC while their properties remain under development.

CORPORATE AND OTHER

Our corporate and other segment includes our subsidiary Lumbermens, an Ontario-based credit reporting company, as well as assets, liabilities, revenues and expenses that aren't directly related to any of our other five reportable segments. Accordingly, expenses of the corporate and other segment include salaries and benefits expense in relation to executives and staff that are not directly affiliated with any of the other five reportable segments, share-based compensation expense, costs related to the premises and operations of our corporate offices, professional fees that do not relate directly to other segments, costs related to maintaining Crown's status as a public company, etc. Total liabilities of the corporate and other segment include balances recognized in respect of each of the Crown Credit Facility and the Convertible Debentures.

Select financial information pertaining to the corporate and other segment as at and for the three months ended March 31, 2023 and 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Corporate and Other Segment		
	2023	2022	Change
Assets.....	\$ 18,489	\$ 9,182	\$ 9,307
Less: Liabilities.....	48,616	34,826	13,790
Net assets.....	(30,127)	(25,644)	(4,483)
Revenues.....	423	445	(22)
Depreciation.....	92	94	(2)
Finance costs.....	1,176	522	654
Loss before income taxes.....	(1,835)	(1,406)	(429)

PART 4 – CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

We review the components of our capitalization in the following sections.

*Corporate Capitalization*¹ – reflects our issued and outstanding Convertible Debentures and Common Shares and the amount of debt issued by the Corporation excluding amounts in relation to its subsidiaries Crown Power Fund, Galaxy, WireIE Inc., Community Network Partners, PSCC, PBC, Lumbermens, Go Direct Global and PenEquity Inc. Corporate debt includes amounts drawn upon the Crown Credit Facility, net of the unamortized balance of related deferred finance costs. At March 31, 2023, our corporate capitalization was \$100.9 million (December 31, 2022 - \$95.4 million).

Consolidated Capitalization – reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements and is equal to total liabilities plus total equity in our consolidated statements of financial position. At March 31, 2023, consolidated capitalization increased compared with December 31, 2022 due primarily to an increase in corporate borrowings. At March 31, 2023, our consolidated capitalization was \$172.8 million (December 31, 2022 - \$166.7 million).

*Our Share of Capitalization*¹ – reflects our proportionate exposure of debt and equity balances in consolidated entities.

The following table presents our capitalization on a consolidated, corporate and our share basis:

AS AT MAR. 31, 2023 AND DEC. 31, 2022 (THOUSANDS)	Ref.	Corporate Capitalization ¹		Consolidated Capitalization		Our Share of Capitalization ¹	
		2023	2022	2023	2022	2023	2022
Corporate borrowings.....	i	\$ 24,298	\$ 18,067	\$ 24,298	\$ 18,067	\$ 24,298	\$ 18,067
Accounts payable and other liabilities.....		6,785	6,816	21,477	20,896	21,448	20,859
Lease obligations.....		25	57	19,355	20,305	19,355	20,305
Mortgages payable.....		-	-	11,900	11,900	11,900	11,900
Long-term debt.....		-	-	2,488	2,984	2,488	2,984
Convertible debentures - liability component.....	ii	19,883	19,770	19,883	19,770	19,883	19,770
Non-controlling interests.....		-	-	23,419	22,070	-	-
Equity							
Share capital.....		48,264	48,281	48,264	48,281	48,264	48,281
Convertible debentures - equity component.....	ii	483	483	483	483	483	483
Contributed surplus.....		15,184	15,184	15,184	15,184	15,184	15,184
Translation reserve.....		35	35	35	35	35	35
Deficit.....		(14,023)	(13,313)	(14,023)	(13,313)	(14,023)	(13,313)
Total equity.....	iii	49,943	50,670	49,943	50,670	49,943	50,670
Total capitalization.....		\$ 100,935	\$ 95,381	\$ 172,763	\$ 166,662	\$ 149,315	\$ 144,555

i. Corporate Credit Facility

Prior to February 7, 2023, the Corporation had a senior secured corporate credit facility (the “**Preceding Crown Credit Facility**”) that was comprised of a \$20.0 million 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

¹ Corporate Capitalization and Our Share of Capitalization are not standard measures under IFRS and may not be comparable to similar measures reported by other entities. Refer to *Part 7 – Non-IFRS Measures* for more information.

Fund and Crown Power Fund, potential acquisitions and for general corporate purposes, in addition to a \$3.5 million dedicated-purpose letter of credit facility. The revolving 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, Crown entered into the Crown Credit Facility with Canadian Western Bank with an aggregate commitment of up to \$43.5 million 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 Crown and its operating businesses, and to fund Crown's remaining capital commitment in respect of Crown Power Fund. The Crown Credit Facility includes an amortizing term loan of up to \$30.0 million with a maturity date of February 7, 2028, an operating loan of up to \$10.0 million with availability subject to margin condition restrictions, and a letter of credit facility of up to \$3.5 million. The term loan is comprised of an initial advance of \$25.0 million plus \$5.0 million to be advanced upon request by Crown 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. We provide additional detail regarding our credit facilities in *Note 12 – Credit facilities* of the unaudited condensed consolidated interim financial statements.

As of March 31, 2022, \$25.0 million had been drawn on the Crown Credit Facility (December 31, 2022 - \$18.3 million had been drawn on the Preceding Crown Credit Facility), and letters of credit totaling \$3.2 million (December 31, 2022 - \$3.2 million) were issued and outstanding. The balance outstanding on the Crown Credit Facility at March 31, 2023 of \$24.3 million was comprised of gross advances of \$25.0 million net of unamortized deferred financing costs of \$0.7 million.

ii. Convertible Debentures

On July 13, 2018, Crown issued \$20.0 million of convertible unsecured debentures that bear interest at a rate of 6.0% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, with a maturity date of June 30, 2023 and a conversion price of \$13.70 per Common Share (the “**Convertible Debentures**”). The Convertible Debentures are direct, unsecured obligations of the Corporation that are subordinated to the Credit Facility. Net of issuance costs, the Corporation received net proceeds of \$18.7 million from the issuance of the Convertible Debentures.

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 on the new maturity date or any redemption date.

We provide additional detail regarding the Convertible Debentures in *Note 13 – Convertible Debentures* of the unaudited condensed consolidated interim financial statements.

iii. Equity

We provide a continuity of each component of equity in the consolidated statements of changes of equity included in our unaudited condensed consolidated interim financial statements. For discussion, please refer to *Part 2 – Review of Consolidated Financial Results – Equity*.

Issued and Outstanding Shares

Changes in the number of issued and outstanding Common Shares during the periods are as follows:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2023	2022
Outstanding at beginning of period.....	5,642	7,093
Repurchases.....	(2)	(1,451)
Outstanding at end of period.....	5,640	5,642
Total diluted shares at end of period.....	5,640	5,642

On January 24, 2022, the Corporation announced a substantial issuer bid (“SIB”), 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 \$10.0 million. On March 8, 2022, the Corporation purchased and subsequently cancelled 1,330,000 Common Shares pursuant to the SIB for total consideration of \$10.0 million, excluding fees and expenses related to the SIB totaling \$0.1 million.

Effective April 13, 2022, the Corporation renewed its normal course issuer bid (“NCIB”) to purchase for cancellation during the next 12 months up to 280,000 Common Shares, representing approximately 5.0% of the issued and outstanding Common Shares at March 31, 2022. Total shares purchased and cancelled under the current NCIB up to March 31, 2023 were 2,000.

In the three months ended March 31, 2023, a total of 2,000 Common Shares were purchased for cancellation (March 31, 2022 – 1,450,666 Common Shares).

The total number of Common Shares outstanding at March 31, 2023 was 5,640,546 (December 31, 2022 – 5,642,546; May 10, 2023 – 5,633,946).

LIQUIDITY

Liquidity and Capital Resources

The Corporation defines working capital as total current assets less total current liabilities. As at March 31, 2023, the Corporation had negative working capital of \$(12.5) million compared with \$(22.5) million as at December 31, 2022. The working capital deficit, as reported, relates primarily to the classification of convertible debentures – liability component and mortgages payable, which had an aggregate carrying value of \$31.8 million as at March 31, 2023, as current liabilities based on maturity dates of June 30, 2023 and November 30, 2023, respectively (i.e., less than one year from March 31, 2023).

We are in the process of seeking Debentureholder approval to amend certain terms of the Convertible Debentures, including an extension of the maturity date from June 30, 2023 to December 31, 2024, an amendment of the interest rate on the Convertible Debentures from 6% to 10%, removal of the conversion right of the Debentureholders, and removal of the right of Crown to repay the principal amount of the debentures in Common Shares on the new maturity date or any redemption date. These amendments will be voted on as a package at a special meeting of the Debentureholders to be held on May 16, 2023.

In the event that the package of proposed amendments to the Convertible Debentures is not approved, we would intend to seek additional corporate credit as an incremental source of funding for the repayment of the Convertible Debentures upon their current maturity date of June 30, 2023. The Corporation also has an option to elect to satisfy its obligation to pay the aggregate principal amount of the Convertible Debentures on their maturity date by issuing common shares.

Upon its maturity in November 2023, we expect to be able to extend the term of the mortgage payable by an additional 12 months, if necessary, supported by the value of the mortgaged real estate properties.

As at March 31, 2023, the Corporation had access to \$2.7 million of committed capital available to Crown Power Fund from parties other than Crown, which may only be used to support the financing requirements of Crown Power Fund, an undrawn balance of \$5.0 million in respect of the term loan component of the Crown Credit Facility subject to the adherence of customary financial covenant restrictions, and an undrawn balance of up to \$10.0 million in respect of the operating loan component of the Crown Credit Facility with availability subject to margin condition restrictions.

In addition to the availability of these resources, management has taken precautionary measures to further bolster the Corporation's liquidity by actively managing any liquidity risk through the active monitoring of budgeted and projected results and cash requirements.

At March 31, 2023, \$25.7 million (91%) of the \$28.4 million committed to Crown Power Fund to that date by limited partners other than Crown has been drawn by Crown Power Fund, leaving \$2.7 million of committed capital available to Crown Power Fund from parties other than Crown. As at March 31, 2023, Crown Power Fund had total committed capital of \$50.0 million including commitments by Crown.

Off-Balance Sheet Arrangements and Unfunded Commitments

Uncalled Commitments to Managed Investment Funds

The Corporation, through its wholly owned subsidiary CCFC, has subscribed for limited partnership units in several investment funds managed or formerly managed by the Corporation, namely Crown Partners Fund, CCF IV Investment LP and Crown Power Fund. Through its ownership of these limited partnership units, the Corporation has made contractual commitments to contribute funds to each of these entities up to a prescribed maximum value per unit, as called by the respective general partners of these investment funds. The table below summarizes the total capital commitment of the Corporation to each investment fund, as well as the uncalled portion of such capital commitments as at each of March 31, 2023 and March 31, 2022.

AS AT MAR. 31 (THOUSANDS, EXCEPT UNITS)	2023			2022
	Units Subscribed by CCFC	Capital Commitment	Uncalled Capital Commitment	Uncalled Capital Commitment
Crown Partners Fund.....	76,869	\$ 61,495	\$ 15,374	\$ 15,374
CCF IV Investment LP.....	3,270	2,600	654	654
Crown Power Fund.....	25,000	21,581	2,028	10,195
Total.....			\$ 18,056	\$ 26,223

As the manager of Crown Power Fund, Crown controls the timing and level of funding requirements in relation to its capital commitments to this fund. The investment period of each of Crown Partners Fund and CCF IV Investment LP 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 the extent required for certain purposes including to cover operating deficits and, to a maximum of 20% of committed capital, to make follow-on investments. We do not expect any future funding requirements in respect of Crown's uncalled capital commitments to Crown Partners Fund and CCF IV Investment LP.

Other Unfunded Commitments

As at March 31, 2023, Crown Power Fund had committed to contracts valued at \$31.2 million in relation to the construction of power generation assets, of which \$20.8 million was funded and included in property and equipment under development and related deposits, \$4.4 million was funded and included in property and equipment, and \$6.0 million was unfunded, of which \$3.4 million was attributable to non-controlling interests.

Through WireE Inc., the Corporation had \$0.9 million in backhaul commitments relating to its use of broadband network infrastructure 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 \$74.9 million over a six-year period, inclusive of an aggregate commitment denominated in U.S. dollars of US\$54.7 million.

The Corporation has guaranteed the repayment of loans by a third-party financial institution pursuant to its executive share purchase plan to participants in this plan (“**Share Purchase Plan Participants**”) which totaled \$1.3 million as at March 31, 2023 (December 31, 2022 - \$1.4 million), and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$3.2 million as at March 31, 2023 (December 31, 2022 - \$3.6 million).

The Corporation, through CNP, is party to surety bonds totaling \$163.5 million. 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 \$150.0 million.

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.

Crown has no other material off-balance sheet arrangements.

REVIEW OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table summarizes the consolidated statements of cash flows within our consolidated financial statements:

FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2023	2022
Operating activities.....	35	3,644
Investing activities.....	3,995	(4,261)
Financing activities.....	5,530	(3,879)
Effect of foreign exchange rate difference on cash.....	13	-
Increase (decrease) in cash and cash equivalents.....	<u>\$ 9,573</u>	<u>\$ (4,496)</u>

Operating Activities

Cash provided by operations totaled \$0.04 million in the three months ended March 31, 2023 compared with \$3.6 million in the three months ended March 31, 2022. The \$3.6 million variance compared with the prior-year period was due primarily to proceeds received from the repayment of the lease earn-out note receivable in the prior-year period, partially offset by a net change in non-cash working capital and a reduction in income taxes paid.

Investing Activities

Cash provided by investing activities totaled \$4.0 million in the three months ended March 31, 2023 compared with cash used by investing activities of \$4.3 million in the three months ended March 31, 2022. The variance compared with the prior-year period was due primarily to capital distributions received from Crown Partners Fund in the current-year period, representing proceeds received by Crown Partners from loan repayments and sale of equity securities.

Financing Activities

Cash provided by financing activities totaled \$5.5 million in the three months ended March 31, 2023 compared with cash used by financing activities of \$3.9 million in the three months ended March 31, 2022. The primary financing-related sources of cash in the three months ended March 31, 2023 included advances in respect of credit facilities and contributions to Crown Power Fund by non-controlling interests, which were partially offset by payments in respect of lease obligations, deferred financing costs and the factor facility.

Effect of Foreign Exchange Rate Difference on Cash

The effect of the foreign exchange rate difference on cash of \$0.01 million (March 31, 2022 - \$nil) represents the impact of the translation of monetary transactions denominated in U.S. dollars in respect Go Direct America, a wholly owned foreign operation of Crown with a functional currency that is different from Crown's presentation currency.

PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Overview

This MD&A of the consolidated operating and financial performance of the Corporation for the three months ended March 31, 2023 is prepared as of May 10, 2023. This discussion is the responsibility of management and should be read in conjunction with the Corporation's March 31, 2023 unaudited condensed consolidated interim financial statements and the notes thereto, prepared in accordance with IFRS, and other public filings available on SEDAR at www.sedar.com. The board of directors has approved this MD&A. All amounts therein are expressed in Canadian dollars unless otherwise indicated.

Critical Estimates and Accounting Policies

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

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 are included in the following notes in those financial statements:

- Note 4 – Investments;
- Note 6 – Investment in Crown Partners Fund;
- Note 7 – Customer contracts;
- Note 8 – Property and equipment; and
- Note 9 – Property and equipment under development and related deposits.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2022 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The CEO and CFO have designed, or caused to be designed under their direct supervision, Crown’s DC&P to provide reasonable assurance that:

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

Management has limited the scope of design of its disclosure controls and procedures and its ICFR to exclude the controls, policies and procedures of Go Direct Global, of which Crown acquired a 100% interest on June 24, 2022. The total aggregate assets acquired and total aggregate liabilities assumed at closing represented approximately 12.6% and 14.0% of total consolidated assets and total consolidated liabilities, respectively, as at March 31, 2023. The impact of the acquisition on consolidated net loss attributable to Shareholders for the three months ended March 31, 2023 was \$(1.3) million. Management is committed to removing this limitation within the timeframe permitted by regulation.

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

While Crown’s CEO and CFO believe that the Corporation’s internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management’s belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in Crown’s ICFR during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, Crown’s ICFR.

PART 6 – RISKS AND FORWARD-LOOKING STATEMENTS

RISK FACTORS

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

A risk that is common among our associate Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and our Network Services and Distribution Services businesses is credit risk. Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's investments in debt securities and its investment in Crown Partners Fund. Most of the debt instruments held directly by the Corporation and by Crown Private Credit Fund, and indirectly through its associate Crown Partners Fund, are unrated and all are relatively illiquid. Repayments are dependent on the ability of the underlying businesses to generate sufficient cash flow from operations, refinancings or the sale of assets or equity. Although Crown intends to offer financing solutions, long-term power supply contracts and network services contracts only to clients with a history of profitability, there can be no assurance that its financing clients, long-term power supply counterparties or network services counterparties will not default and that Crown will not sustain a loss as a result.

The primary risk factor for our associate Crown Partners Fund is credit risk, being the potential inability of one or more of its portfolio companies to meet their debt obligations to Crown Partners Fund. Through its ownership of equity and equity-related securities, Crown Partners Fund is also exposed to market price risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. A reduction in the value of the debt and/or equity-related investments held by Crown Partners Fund would reduce the value of both components of Crown's investment in associate, represented by its limited partnership and general partnership interests in Crown Partners Fund, and could reduce the level of distributions received by Crown in the future from Crown Partners Fund.

The primary risk factor for Crown Power Fund is credit risk, being the potential inability of counterparties to long-term power supply contracts to meet their obligations to Crown Power Fund. Crown Power Fund is also exposed to the risk that project development advances provided to Operating Partners might not be appropriately applied to project development costs and that any resultant amounts owing to Crown Power Fund might not be recoverable.

The primary risk factor for Network Services businesses is contract cancellation risk, being the risk that an above-normal level of existing term contracts is not renewed and extended at maturity and that existing month-to-month contracts are canceled at an above-normal pace. To the extent that the level of network services revenue added through the establishment of new customer contracts does not sufficiently offset the impact of contract cancellations on network services revenue, the resulting reduction of operating leverage could negatively impact contribution of Network Services businesses to the consolidated net (loss) income of the Corporation.

A related risk factor for WireIE Inc. is customer concentration risk, being the risk associated with WireIE Inc.'s reliance on the renewal of network services contracts with a significant customer, which comprise the majority of its accounts receivable and network services revenues to date. A similar risk factor exists for Galaxy by way of its reliance on the renewal of network service contracts with two significant customers, which comprise a significant portion of its accounts receivable and network services revenue to date.

Through its five-year, minimum purchase commitment to purchase LEO connectivity solutions from OneWeb, Galaxy is exposed to customer acquisition risk, as it might incur losses in respect of its LEO offering in the event that it fails to acquire and maintain a sufficient level of LEO-related customer contracts.

An additional risk factor for both Galaxy and WireIE Inc. is key third-party supplier risk, as each entity is reliant upon the provision of broadband signal and telecommunications capacity by key third-party suppliers which, if terminated

or cancelled, could have an adverse impact on the financial condition and results of operations of the Network Services segment.

The construction of network infrastructure in underserved communities by Community Network Partners will introduce risks in relation to potential delays and/or cost overruns in respect of securing necessary materials and staff and in completing construction, any of which might negatively impact project returns. Project returns might also be negatively impacted if Community Network Partners fails to achieve planned levels of customer subscription for service upon completion of such projects, or if the pace of achieving such subscriptions is slower than planned.

The primary risk factors in connection with the Corporation's real estate investments are market price risk in respect of real estate asset valuations and refinancing risk in respect of mortgages payable. Investment in the development of real estate properties under development in Barrie and Stoney Creek will introduce risks in relation to the permitting and construction of these property developments, including potential delays or other issues in obtaining necessary building permits, and delays and/or cost overruns in respect of securing building materials and completing construction.

The primary risk factors associated with the operations of Go Direct Global include the risk of a decline in market demand for the consumer products of its clients, either due to product-specific demand factors or to general economic decline, solvency risk in respect of its clients, dependency upon key personnel, disruptions to operations or those of its clients and/or logistics partners, including as a result of market, political and economic conditions, financing risk in relation to funding potential expansion of the business, and risks associated with the operational start-up of logistics facilities in new geographies including external events that could adversely impact operations such as government legislation, regulations or policies.

An additional risk for Go Direct Global is customer concentration risk, being the risk associated with Go Direct Global's reliance on the renewal of distribution services contracts with three significant customers, which comprise the majority of its accounts receivable and distribution services revenue to date.

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, including the Crown Credit Facility, the Convertible Debentures and mortgages payable. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation. Certain obligations in respect of the provision for performance bonuses and non-controlling interests only become due as the related investment fund's assets are liquidated and liquidation proceeds are received, and as such, there is no associated liquidity risk.

The Corporation is exposed to currency risk through its ownership of Go Direct America, which operates in the United States and transacts primarily in U.S. dollars, and through Galaxy, which has an aggregate commitment of US\$50 million over five years to purchase LEO connectivity from OneWeb. The Corporation's other investments, revenue and expenses are denominated primarily in Canadian currency such that they present limited exposure to currency risk. Through our investment in Crown Partners Fund, we are indirectly exposed to a limited degree of currency risk to the extent that the underlying operations of Crown Partners Fund's investee companies may be dependent on revenues or exposed to costs denominated in foreign currencies.

See *Note 19 – Financial risk management* in the Corporation's December 31, 2022 audited consolidated financial statements.

A more extensive discussion of the risks faced by the Corporation can be found in the Corporation's Annual Information Form ("AIF") available on SEDAR at www.sedar.com.

FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, investments, net investment in leased distributed power equipment, accounts payable and accrued liabilities, factor facility, contingent consideration, network services vendor note payable, deferred compensation, mortgages payable, lease obligations, convertible debentures – liability component, credit facilities and long-term debt.

The Corporation, through its subsidiary Crown Private Credit Fund, holds an investment in a debt security, representing a loan to PenEquity Realty measured at amortized cost, and an equity security which is measured at FVTPL. The carrying value of the loan investment at amortized cost is net of an allowance for credit losses that reflects management's estimation of expected credit loss for the loan carried at amortized cost. The Canadian equity security is valued based on its transaction price.

For loans carried by our associate Crown Partners Fund at FVTPL, the terms of the individual debt instruments and the risks of the underlying businesses are reflected in the fair values at the reporting date. The carrying value of loans at amortized cost held by Crown Partners Fund is net of an allowance for credit losses. In respect of the carrying value of investments held by Crown Partners Fund, which impacts the carrying value of the Corporation's investment in Crown Partners Fund, the determination of associated fair values and expected credit losses reflects the estimation of management of the investment manager of Crown Partners Fund, CPCP.

The fair value of the net investment in leased distributed power equipment approximates its carrying value due to the market interest rates on the leases.

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.

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. The fair value of the Crown Credit Facility approximates its carrying value due to the variable rate of interest applicable to this instrument.

The fair value of lease obligations approximate its carrying value due to the market interest rate on the leases.

The fair value of the convertible debenture – liability component as at March 31, 2023 is \$19.0 million. The convertible debenture – 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.

The fair value of long-term debt is determined as the net present value of the estimated cash flows available to service this debt.

The fair values of other financial instruments approximate carrying value due to the short term to maturity of the instruments.

Additional information about financial instruments and associated risks can be found in *Risk Factors* and in the Corporation's 2022 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

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

- the Corporation’s intentions for the use of its cash and cash equivalents and the timing thereof, including additional investments in and capital expenditures by its operating subsidiaries and capital contributions to Crown Power Fund;
- the future capitalization of Crown Power Fund and Crown and future closings in relation thereto;
- the structuring, prepayment and/or realization of investments of Crown and Crown Partners Fund and the distributions of related proceeds by Crown Partners Fund;
- the general economy;
- the determination of recovery levels and values realized on liquidation of security held, when necessary, for the loans of Crown and Crown Partners Fund going forward;
- the ability to achieve a restructuring of the PenEquity Realty loan that is favourable to Crown;
- the ability to achieve the intended development of the Corporation’s real estate assets and Crown’s ability to maximize realization of these assets at the time of an eventual disposition;
- the ability to repay, refinance or extend the maturity of its credit facilities, convertible debentures and mortgages payable on terms acceptable to the Corporation and to service its debt obligations in general;
- the ability of Crown to direct the activities of its managed funds and to determine the timing and level of funding requirements in relation to its capital commitment to these funds;

- the future profitability of Operating Partners affiliated with Crown Power Fund and the expected recoverability of amounts owed to the Corporation by such Operating Partners;
- the distributed power market in general, and in our current geographic regions of focus in particular, and the ability of Crown Power Fund to source additional projects in which to invest going forward;
- the recoverability of costs incurred in the development of distributed power assets through the subsequent receipt of lease payments over the duration of the lease contracts in relation to such assets;
- the expected timing of distributed power projects under development becoming operational;
- the Corporation's intention to have our Network Services segment build a portfolio of long-term contracts structured to provide recurring cash flows, to create a capital pool that invests in certain telecom-related assets, to seek funding commitments to this capital pool by third-party investors, and to generate management fee revenue in relation to managing this capital pool;
- the Corporation's intention to provide network connectivity to underserved communities through Galaxy and Community Network Partners;
- the estimated useful life and recoverability of carrying values in respect of intangible assets representing the fair value of service contracts assumed on the acquisitions of Galaxy, Go Direct Global and Lumbermens;
- the ability of Go Direct Global to achieve higher capacity utilization of its logistics facilities, to achieve revenue and earnings growth, and to potentially support investment in additional logistics facilities;
- the Corporation's business plans and strategy;
- the Corporation's future cash flow and shareholder value;
- the non-recurring nature of certain expenses;
- the future recoverability of accounts receivable;
- Crown's future entitlement to base management and performance fees;
- the future accounting policies of the Corporation;
- the Corporation's ability to secure government subsidies as a source of funding for certain Network Services projects; and
- the Corporation's ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing), including any incremental credit that might be required to satisfy the repayment of the convertible debentures upon their maturity.

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

In making the forward-looking statements in this MD&A, the Corporation has made assumptions regarding general economic conditions, reliance on debt financing, interest rates, continued lack of regulation in the business of lending from sources other than commercial banks or equity transactions, continued operation of key systems, debt service, future capital needs, retention of key employees, adequate management of conflicts of interests, continued

performance of the Crown funds and solvency of financing clients, competition, limited loan prepayment, demand for Distributed Power solutions, demand for Network Services solutions, demand for warehousing, distribution services and freight management services, effective use of leverage, strength of existing client relationships, regulatory oversight and such other risks or factors described in this MD&A, the AIF and from time to time in public disclosure documents of Crown that are filed with securities regulatory authorities.

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

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

MARKET AND INDUSTRY DATA

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

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

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

PART 7 – NON-IFRS MEASURES

We disclose a number of financial measures in this MD&A that are calculated and presented using methodologies other than in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). We utilize these measures in managing the business, including for performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS measures or other financial metrics may differ from the calculations disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this MD&A.

NON-IFRS MEASURES

Corporate Capitalization, and Capitalization at Our Share are not recognized measures under IFRS and are, therefore, defined below:

Corporate Capitalization is a non-IFRS measure and reflects our issued and outstanding Convertible Debentures and Common Shares and the amount of debt and other liabilities of the Corporation excluding non-controlling interests and amounts in relation to its subsidiaries. We use this measure to provide insight regarding the components of our corporate-level capitalization, which assists us in making financial risk management decisions at the Corporation. This will differ from our consolidated leverage to the extent that liabilities have been recognized in respect of our subsidiaries.

A reconciliation of consolidated liabilities and equity to Corporate Capitalization is provided below:

AS AT MAR. 31, 2023 AND DEC. 31, 2022 (THOUSANDS)	2023	2022
Total consolidated liabilities and equity.....	172,763	166,662
Less: Liabilities of subsidiaries		
Accounts payable and accrued liabilities	(14,691)	(14,080)
Lease obligations.....	(19,330)	(20,247)
Mortgages payable.....	(11,900)	(11,900)
Long-term debt.....	(2,488)	(2,984)
Non-controlling interests.....	(23,419)	(22,070)
Corporate Capitalization.....	100,935	95,381

Our Share of Capitalization is a non-IFRS measure and presents our share of debt and other obligations based on our ownership percentage of the related subsidiaries. We use this measure to provide insight into the extent to which our capital is leveraged in each investment, which is an important component of enhancing shareholder returns. This may differ from our consolidated leverage because of the varying levels of ownership that we have in consolidated investments that, in turn, have different degrees of leverage. We also use Our Share of Capitalization to make financial risk management decisions at the Corporation.

A reconciliation of consolidated liabilities and equity to Our Share of Capitalization is provided below:

AS AT MAR. 31, 2023 AND DEC. 31, 2022 (THOUSANDS)	<u>2023</u>	<u>2022</u>
Total consolidated liabilities and equity.....	172,763	166,662
Less: non-controlling interests' share of liabilities		
Accounts payable and accrued liabilities.....	(29)	(37)
Distributions payable to non-controlling interests.....	-	-
Non-controlling interests.....	<u>(23,419)</u>	<u>(22,070)</u>
Total capitalization at our share.....	<u>149,315</u>	<u>144,555</u>

GLOSSARY OF TERMS

The below summarizes certain terms relating to our business that are made throughout the MD&A.

References

“Crown”, the “Corporation”, “we”, “us” or “our” refers to Crown Capital Partners Inc. and its consolidated subsidiaries. We refer to investors in the Corporation as “shareholders” and we refer to investors in our managed limited partnerships as “investors”.

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

- “**CCF III**” Crown Capital Fund III Management Inc.
- “**CCF IV Investment LP**” – Crown Capital Fund IV Investment, LP
- “**CCFC**” – Crown Capital Funding Corporation
- “**Community Network Partners**” – Community Network Partners Inc.
- “**Crown Partners Fund**” – Crown Capital Partner Funding, LP
- “**Crown Partners Fund GP**” – Crown Capital LP Partner Funding Inc.
- “**Crown Power Fund**” – Crown Capital Power Limited Partnership
- “**Crown Power GP**” – 10824356 Canada Inc.
- “**Crown Private Credit Fund**” – Crown Capital Private Credit Fund, LP
- “**CPCP**” – Crown Private Credit Partners Inc.
- “**Galaxy**” – Galaxy Broadband Communications, Inc.
- “**Go Direct America**” – Go Direct America Inc.
- “**Go Direct Global**” – Go Direct Global Inc.
- “**Go Direct SCS**” – Go Direct Supply Chain Solutions Inc.
- “**Lumbermens**” – Lumbermens Credit Group Ltd.
- “**NCOF LP**” – Norrep Credit Opportunities Fund, LP
- “**Onsite Power**” – Onsite Power Partners Ltd.
- “**PDLP**” PenEquity Development LP
- “**PenEquity Realty**” – PenEquity Realty Corporation
- “**PBC**” – PRC Barrie Corp. and Penady (North Barrie) Limited, collectively
- “**PSCC**” – PRC Stoney Creek Corp. and Penady (Stoney Creek) Ltd., collectively
- “**WireIE**” – WireIE Holdings International Inc.
- “**WireIE Canada**” – WireIE (Canada) Inc.