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Condensed Consolidated Interim Financial Statements of

**CROWN CAPITAL PARTNERS INC.**

Nine months ended September 30, 2023 and 2022

*NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS*

*The accompanying unaudited condensed consolidated interim financial statements of Crown Capital Partners Inc. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity.*

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# CROWN CAPITAL PARTNERS INC.

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

(expressed in thousands of Canadian dollars)

| As at  | September 30,<br>2023 | December 31,<br>2022 |
|--|-----------------------|----------------------|
| <b>Assets</b>  |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$ 6,689              | \$ 7,244             |
| Accounts receivable  | 16,383                | 14,195               |
| Income taxes recoverable   | -                     | 314                  |
| Prepaid expenses and deposits  | 4,463                 | 4,275                |
| Inventory  | 1,673                 | 1,458                |
| Current portion of net investment in leased distributed power equipment (Note 5) | 712                   | 642                  |
|  | 29,920                | 28,128               |
| Non-current assets:  |                       |                      |
| Investments (Note 4)   | 25                    | 2,101                |
| Investment in Crown Partners Fund (Note 6)                                       | 24,062                | 34,557               |
| Customer contracts (Note 7)  | 7,080                 | 7,051                |
| Property and equipment (Note 8)  | 52,750                | 35,219               |
| Net investment in leased distributed power equipment (Note 5)                    | 11,698                | 11,352               |
| Property and equipment under development and related deposits (Note 9)           | 50,379                | 46,356               |
| Deferred income taxes  | 2,795                 | 1,605                |
| Goodwill   | 293                   | 293                  |
|  | 293                   | 293                  |
| <b>Total Assets</b>  | <b>\$ 179,002</b>     | <b>\$ 166,662</b>    |
| <b>Liabilities and Shareholders' Equity</b>                                      |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable and accrued liabilities   | \$ 19,647             | \$ 12,302            |
| Income taxes payable   | 397                   | -                    |
| Factor facility  | 154                   | 968                  |
| Contingent consideration   | 950                   | 950                  |
| Mortgages payable (Note 10)  | 11,900                | 11,900               |
| Current portion of deferred revenue  | 1,076                 | 1,130                |
| Current portion of lease obligations   | 3,478                 | 3,552                |
| Current portion of credit facilities (Note 12)                                   | 23,761                | -                    |
| Current portion of convertible debentures - liability component (Note 13)        | -                     | 19,770               |
| Current portion of long-term debt  | 81                    | 60                   |
|  | 61,444                | 50,632               |
| Non-current liabilities:   |                       |                      |
| Deferred revenue   | 562                   | 849                  |
| Lease obligations  | 16,881                | 16,753               |
| Deferred compensation (Note 11)  | 1,461                 | 1,588                |
| Provision for performance bonus (Note 6)   | 3,460                 | 3,109                |
| Credit facilities (Note 12)  | -                     | 18,067               |
| Debentures (Note 13)   | 19,704                | -                    |
| Long-term debt   | 2,346                 | 2,924                |
| Non-controlling interests (Note 15)  | 26,591                | 22,070               |
|  | 26,591                | 22,070               |
| <b>Total Liabilities</b>   | <b>132,449</b>        | <b>115,992</b>       |
| <b>Equity</b>  |                       |                      |
| Share capital (Note 16)  | 47,820                | 48,281               |
| Convertible debentures - equity component (Note 13)                              | -                     | 483                  |
| Contributed surplus  | 15,667                | 15,184               |
| Translation reserve  | 5                     | 35                   |
| Deficit  | (16,939)              | (13,313)             |
|  | (16,939)              | (13,313)             |
| <b>Total Equity</b>  | <b>46,553</b>         | <b>50,670</b>        |
|  | <b>\$ 179,002</b>     | <b>\$ 166,662</b>    |

**Commitments and contingencies (Note 20)**

**Subsequent events (Note 21)**

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

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

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

|   | For the three months ended |            | For the nine months ended |            |
|---|----------------------------|------------|---------------------------|------------|
|   | September 30,              |            | September 30,             |            |
|   | 2023                       | 2022       | 2023                      | 2022       |
| <b>Revenues</b>   |                            |            |                           |            |
| Distribution services revenue   | \$ 8,915                   | \$ 6,971   | \$ 26,154                 | \$ 7,543   |
| Network services revenue  | 7,843                      | 7,522      | 21,530                    | 20,648     |
| Fees and other income   | 1,816                      | 428        | 4,115                     | 1,485      |
| Interest revenue  | 686                        | 409        | 1,852                     | 1,090      |
| Net gain (loss) on investments  |                            |            |                           |            |
| Net realized loss from investments  | -                          | -          | -                         | (1,268)    |
| Net change in unrealized gain of investments  | -                          | -          | -                         | 1,270      |
|   | 19,260                     | 15,330     | 53,651                    | 30,768     |
| <b>Share of earnings (losses) of Crown Partners Fund (Note 6)</b>                         | 210                        | 136        | 2,500                     | (3,976)    |
| <b>Expenses</b>   |                            |            |                           |            |
| Cost of distribution services revenue   | 5,681                      | 4,160      | 18,232                    | 4,443      |
| Cost of network services revenue  | 5,695                      | 3,528      | 12,781                    | 9,643      |
| Salaries and benefits   | 3,966                      | 4,356      | 10,997                    | 8,146      |
| Share-based compensation expense (recovery) (Note 11)                                     | 2                          | 123        | (45)                      | 377        |
| Performance bonus expense (recovery)  | 3                          | (7)        | 351                       | (1,304)    |
| General and administration  | 2,163                      | 1,792      | 6,412                     | 3,375      |
| Foreign exchange gain   | (223)                      | (359)      | (63)                      | (327)      |
| Depreciation  | 2,365                      | 2,223      | 6,910                     | 4,165      |
| Provision for bad debt  | -                          | 12         | -                         | 12         |
| Provision for (recovery of) expected credit losses  | -                          | (566)      | 3                         | (590)      |
| Finance costs (Note 14)   | 1,754                      | 1,227      | 4,761                     | 2,468      |
| Impairment of property and equipment (Note 8)   | -                          | 350        | -                         | 350        |
| Impairment of distributed power equipment under development and related deposits (Note 9) | -                          | 3,291      | -                         | 3,291      |
|   | 21,406                     | 20,130     | 60,339                    | 34,049     |
| <b>Loss before other adjustments and income taxes</b>                                     | (1,936)                    | (4,664)    | (4,188)                   | (7,257)    |
| Gain on acquisition   | -                          | 16         | -                         | 73         |
| Remeasurement of financial instruments  | -                          | 115        | 611                       | 144        |
| Non-controlling interests (Note 15)   | (218)                      | 1,993      | (713)                     | 1,699      |
| <b>Loss before income taxes</b>   | (2,154)                    | (2,540)    | (4,290)                   | (5,341)    |
| Income taxes expense (recovery)   |                            |            |                           |            |
| Current tax expense   | 99                         | 337        | 574                       | 1,114      |
| Deferred tax recovery   | (446)                      | (755)      | (1,190)                   | (2,245)    |
|   | (347)                      | (418)      | (616)                     | (1,131)    |
| <b>Net loss</b>   | (1,807)                    | (2,122)    | (3,674)                   | (4,210)    |
| <b>Other comprehensive income</b>   |                            |            |                           |            |
| <b>Items that will be reclassified subsequently to net income</b>                         |                            |            |                           |            |
| Foreign currency translation adjustment   | (64)                       | 35         | (30)                      | 35         |
| <b>Comprehensive loss</b>   | \$ (1,871)                 | \$ (2,087) | \$ (3,704)                | \$ (4,175) |
| Loss per share attributable to shareholders   |                            |            |                           |            |
| Basic   | \$ (0.32)                  | \$ (0.38)  | \$ (0.65)                 | \$ (0.70)  |
| Diluted   | \$ (0.32)                  | \$ (0.38)  | \$ (0.65)                 | \$ (0.70)  |
| Weighted average number of shares, basic  | 5,605,536                  | 5,642,546  | 5,626,132                 | 6,002,945  |
| Weighted average number of shares, diluted  | 5,605,536                  | 5,642,546  | 5,626,132                 | 6,002,945  |

See accompanying notes to consolidated financial statements.

## CROWN CAPITAL PARTNERS INC.

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

For the nine months ended September 30, 2023 and 2022

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

|   | Number<br>of shares | Share<br>capital | Convertible<br>debentures<br>- equity<br>component | Contributed<br>surplus | Translation<br>reserve | Deficit     | Total<br>Equity |
|---|---------------------|------------------|--|------------------------|------------------------|-------------|-----------------|
| Balance as at January 1, 2022   | 7,093,102           | \$ 60,693        | \$ 483   | \$ 15,180              | \$ -                   | \$ (7,281)  | \$ 69,075       |
| Net loss and comprehensive loss<br>attributable to shareholders<br>of the Corporation | -                   | -                | -  | -                      | -                      | (4,210)     | (4,210)         |
| Other comprehensive income for the period   | -                   | -                | -  | -                      | 35                     | -           | 35              |
| Share-based compensation (Note 11)  | -                   | -                | -  | 3                      | -                      | -           | 3               |
| Shares repurchased (Note 16)  | (1,450,556)         | (12,412)         | -  | -                      | -                      | 1,443       | (10,969)        |
| Balance as at September 30, 2022  | 5,642,546           | \$ 48,281        | \$ 483   | \$ 15,183              | \$ 35                  | \$ (10,048) | \$ 53,934       |
| Balance as at January 1, 2023   | 5,642,546           | \$ 48,281        | \$ 483   | \$ 15,184              | \$ 35                  | \$ (13,313) | \$ 50,670       |
| Net loss and comprehensive loss<br>attributable to shareholders<br>of the Corporation | -                   | -                | -  | -                      | -                      | (3,674)     | (3,674)         |
| Other comprehensive income for the period   | -                   | -                | -  | -                      | (30)                   | -           | (30)            |
| Removal of conversion option (Note 13)  | -                   | -                | (483)  | 483                    | -                      | -           | -               |
| Shares repurchased (Note 16)  | (53,900)            | (461)            | -  | -                      | -                      | 48          | (413)           |
| Balance as at September 30, 2023  | 5,588,646           | \$ 47,820        | \$ -   | \$ 15,667              | \$ 5                   | \$ (16,939) | \$ 46,553       |

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

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

(expressed in thousands of Canadian dollars)

| For the nine months ended September 30,  | 2023       | 2022       |
|--|------------|------------|
| Cash provided by (used in) operating activities  |            |            |
| Net loss   | \$ (3,674) | \$ (4,210) |
| Non-controlling interests (Note 15)  | 713        | (1,699)    |
| Adjustments for:   |            |            |
| Net realized loss from investments   | -          | 1,268      |
| Net change in unrealized gain in fair value of investments   | -          | (1,270)    |
| Share of (earnings) losses of Crown Partners Fund (Note 6)   | (2,500)    | 3,976      |
| Income distributions received from Crown Partners Fund   | 3,294      | 2,338      |
| Interest income  | (1,852)    | (1,090)    |
| Interest income received in the period   | 203        | 618        |
| Provision for expected credit losses   | 3          | (590)      |
| Non-cash finance fees  | -          | (172)      |
| Amortization of deferred finance costs (Note 14)   | 590        | 652        |
| Depreciation   | 6,910      | 4,165      |
| Current income tax expense   | 574        | 1,114      |
| Income tax refunds received, net of payments   | 137        | (1,488)    |
| Deferred tax recovery  | (1,190)    | (2,245)    |
| Share-based compensation, net of cash settlements  | (45)       | 377        |
| Performance bonus expense (recovery)   | 351        | (1,304)    |
| Provision for bad debt   | -          | 12         |
| Impairment of property and equipment (Note 8)  | -          | 350        |
| Impairment of distributed power equipment under development and related deposits (Note 9)          | -          | 3,291      |
| Remeasurement of financial instruments   | (611)      | (144)      |
| Gain on acquisition  | -          | (73)       |
| Net proceeds from repayment of lease earn-out note receivable                                      | -          | 4,942      |
| Net change in non-cash working capital (Note 18)   | 2,776      | (4,154)    |
|  | 5,679      | 4,664      |
| Cash provided by (used in) investing activities  |            |            |
| Proceeds from repayment of debt securities   | -          | 502        |
| Addition of investments  | -          | (2,063)    |
| Capital distributions received from Crown Partners Fund  | 11,223     | 3,802      |
| Purchase of property and equipment (Note 8)  | (2,371)    | (2,048)    |
| Acquisition of subsidiaries, net of cash acquired  | -          | 621        |
| Principal repayments of, net of additions to, net investment in leased distributed power equipment | 68         | 299        |
| Additions to property and equipment under development and related deposits                         | (20,126)   | (12,775)   |
|  | (11,206)   | (11,662)   |
| Cash provided by (used in) financing activities  |            |            |
| Non-controlling interests contributions to Crown Power Fund (Note 15)                              | 3,808      | 2,842      |
| Distributions paid by Crown Power Fund to non-controlling interests (Note 15)                      | -          | (294)      |
| Payments of lease obligations  | (2,697)    | (858)      |
| Repayment of network services vendor note payable  | -          | (476)      |
| Credit facility advances, net of repayments  | 6,250      | 14,300     |
| Repayment of mortgages payable   | -          | (550)      |
| Advances of long-term debt, net of repayments  | 54         | (90)       |
| Repayment of factor facility, net of advances  | (814)      | -          |
| Shares repurchased (Note 16)   | (413)      | (10,969)   |
| Deferred financing costs   | (1,213)    | (16)       |
|  | 4,975      | 3,889      |
| Effect of foreign exchange rate difference on cash   | (3)        | 57         |
| Decrease in cash and cash equivalents  | (555)      | (3,052)    |
| Cash and cash equivalents, beginning of period   | 7,244      | 10,842     |
| Cash and cash equivalents, end of period   | \$ 6,689   | \$ 7,790   |
| Supplemental cash flow information:  |            |            |
| Interest paid in the period  | \$ 3,156   | \$ 1,816   |

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

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## 1. Reporting entity:

Crown Capital Partners Inc. (the “Corporation”) was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation makes strategic investments, provides investment management services and co-invests in certain of its managed funds. The Corporation’s registered office is 700 2<sup>nd</sup> Street SW, Suite 19-131, Calgary, Alberta. These condensed consolidated interim financial statements as at and for the nine months ended September 30, 2023 and 2022 comprise the Corporation and its subsidiaries, which include, effective January 1, 2023, a 70% common equity interest and a 100% preferred equity interest in PenEquity Inc. (“PenEquity”) and, effective August 3, 2023, an effective interest of 44.5% in each of Lionstooth Energy Services Corp. and Wilson Creek Energy Corp., including, for each, a 10% interest held directly by the Corporation and an 80% interest held by Crown Capital Power Limited Partnership (“Crown Power Fund”).

## 2. Basis of preparation:

### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation’s financial position and results of operations since the last annual consolidated financial statements as at and for the year ended December 31, 2022. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2022.

These condensed consolidated interim financial statements were authorized for issue by the Corporation’s Board of Directors on November 9, 2023.

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

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

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

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

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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

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## 2. Basis of preparation (continued):

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

The significant judgments made by management in applying the Corporation's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2022.

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

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

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

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

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

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

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

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

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

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

## 3. Significant accounting policies:

The accounting policies applied to these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2022. There were no new accounting standards adopted for the nine months ended September 30, 2023.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

## 4. Investments:

| As at   | September 30, 2023 | December 31, 2022 |
|---|--------------------|-------------------|
| Investments at FVTPL:   |                    |                   |
| Canadian equity security  | \$ 25              | \$ 25             |
| Total Investments at FVTPL  | 25                 | 25                |
| Canadian debt securities at amortized cost                              | 15,672             | 17,748            |
| Allowance for credit losses   | (15,672)           | (15,672)          |
| Total Investments at amortized cost, net of allowance for credit losses | -                  | 2,076             |
| <b>Total Investments</b>  | <b>\$ 25</b>       | <b>\$ 2,101</b>   |

For investments carried at FVTPL, the amounts are classified in the fair value hierarchy based on the values recognized in the consolidated statement of financial position. The Canadian equity security at FVTPL represents common shares of Crown Private Credit Partners Inc. and is valued based on its transaction price. As at September 30, 2023, total investments at FVTPL of \$25 (December 31, 2022 - \$25) and total investments at amortized cost, net of allowance for credit losses, of \$nil (see Note 17) (December 31, 2022 - \$2,076) are classified as Level 3 financial instruments. There were no transfers between levels during the nine months ended September 30, 2023. The carrying value of investments at amortized cost, net of allowance for credit losses, approximates its fair value.

The following tables reconcile opening balances to closing balances for fair value measurements of investments carried at FVTPL in Level 3 of the fair value hierarchy as at and for the nine months ended September 30, 2023 and September 30, 2022:

| For the nine months ended          | September 30, 2023 | September 30, 2022 |
|------------------------------------|--------------------|--------------------|
| <b>Level 3 securities at FVTPL</b> |                    |                    |
| Opening balance                    | \$ 25              | \$ 525             |
| Repayments                         | -                  | (502)              |
| Realized losses                    | -                  | (1,268)            |
| Net change in unrealized losses    | -                  | 1,270              |
| <b>Ending balance</b>              | <b>\$ 25</b>       | <b>\$ 25</b>       |

As at September 30, 2023, the total gross carrying value of the single Canadian debt security at amortized cost is \$15,672 and is classified as Stage Three (December 31, 2022 - \$17,748). There were no changes in, or transfers between stages during the three and nine months ended September 30, 2023.



# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

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

The Corporation did not enter into any new finance lease contracts in the three and nine months ended September 30, 2023 (September 30, 2022 – entered into two and three, respectively). During the nine months ended September 30, 2022, there was no resultant gain or loss on reclassification of the distributed power equipment under development to net investment in leased distributed power equipment.

For the three and nine months ended September 30, 2023, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of \$232 and \$698 (September 30, 2022 - \$230 and \$621, respectively).

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

|   | September 30, 2023 | December 31, 2022 |
|---|--------------------|-------------------|
| Less than one year  | \$ 1,623           | \$ 1,524          |
| One to two years  | 1,623              | 1,627             |
| Two to three years  | 1,623              | 1,627             |
| Three to four years   | 1,623              | 1,627             |
| Four to five years  | 1,623              | 1,627             |
| Greater than five years   | 9,227              | 9,643             |
| Total undiscounted lease payments   | 17,342             | 17,675            |
| Unearned finance income   | (6,280)            | (6,998)           |
| Undiscounted unguaranteed residual value  | 1,473              | 1,440             |
| Net investment in leased distributed power equipment,<br>before allowance for credit loss | 12,535             | 12,117            |
| Allowance for credit loss   | (125)              | (123)             |
| Net investment in leased distributed power equipment                                      | \$ 12,410          | \$ 11,994         |
| Current portion   | (712)              | (642)             |
| <b>Non-current portion</b>  | <b>\$ 11,698</b>   | <b>\$ 11,352</b>  |

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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

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## 6. Investment in Crown Partners Fund:

The investment in Crown Capital Partner Funding, LP (“Crown Partners Fund”) is comprised of the sum of the carrying values of the Corporation’s limited partnership and general partnership interests. Crown Partners Fund is a limited partnership registered and domiciled in Canada. The principal activity of Crown Partners Fund is investment in loans to mid-market Canadian corporations. Crown Partners Fund is not publicly listed.

The Corporation has an effective interest of 28.0% in the limited partnership units of Crown Partners Fund and, through its 100% interest in Crown Capital LP Partner Funding Inc., it is the general partner of Crown Partners Fund. The Corporation’s interest in Crown Partners Fund is recognized as an investment in associate accounted for using the equity method.

As the general partner, the Corporation is entitled to receive a performance fee distribution equal to 20% of cumulative investment returns in excess of an annual rate of return of 8% earned by Crown Partners Fund, subject to the terms of the limited partnership agreement of Crown Partners Fund. The accrued value of this performance fee as at September 30, 2023 of \$6,919 (December 31, 2022 - \$6,219) represents the carrying value of the Corporation’s general partnership interest. As at September 30, 2023, the Corporation had accrued a provision for performance bonus of \$3,460 (December 31, 2022 - \$3,109) which represents the 50% portion that would be paid to participants in the asset performance bonus pool of Crown Partners Fund.

The fair value of the investment in Crown Partners Fund of \$24,210 as at September 30, 2023 (December 31, 2022 - \$34,954) is measured based on the net asset value of Crown Partners Fund as determined by the investment manager of Crown Partners Fund. The underlying investment portfolio of Crown Partners Fund is comprised of a Canadian debt security measured at amortized cost and investments measured at FVTPL including Canadian debt securities, Canadian equity securities and other investments such as royalty arrangements.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

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

The following tables show the movement in the carrying value of the investment in Crown Partners Fund for the nine months ended September 30, 2023 and September 30, 2022:

| As at and for the nine months ended September 30, | 2023                         |                              |                  |
|---|------------------------------|------------------------------|------------------|
| Crown Partners Fund                               | Limited partnership interest | General partnership interest | Total            |
| Opening balance                                   | \$ 28,338                    | \$ 6,219                     | \$ 34,557        |
| Share of earnings <sup>1</sup>                    | 1,800                        | 700                          | 2,500            |
| Distributions                                     | (12,995)                     | -                            | (12,995)         |
| <b>Ending balance</b>                             | <b>\$ 17,143</b>             | <b>\$ 6,919</b>              | <b>\$ 24,062</b> |

<sup>1</sup> Share of earnings include a decrease of \$72 to the Corporation's proportionate share of the earnings attributable to limited partners of Crown Partners Fund for the nine months ended September 30, 2023 to reflect fair value adjustments of Canadian debt securities measured at amortized cost which were recognized by the Corporation on the derecognition of Crown Partners Fund as a subsidiary on July 13, 2021.

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

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

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

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

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

| <b>As at</b>   | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|--|---------------------------|--------------------------|
| <b>Crown Partners Fund – Summary Balance Sheet Information</b> |                           |                          |
| Investments  | \$ 67,709                 | \$ 106,341               |
| Other assets   | 1,559                     | 7,459                    |
| Total liabilities  | (490)                     | (6,039)                  |
| <b>Net assets</b>  | <b>68,778</b>             | <b>107,761</b>           |
| Net assets attributable to limited partners                    | 61,859                    | 101,542                  |
| Net assets attributable to general partner                     | 6,919                     | 6,219                    |

| <b>For the nine months ended</b>                                   | <b>September 30, 2023</b> | <b>September 30, 2022</b> |
|--|---------------------------|---------------------------|
| <b>Crown Partners Fund – Summary Income Statement Information</b>  |                           |                           |
| Interest revenue   | \$ 5,325                  | \$ 9,029                  |
| Other revenue  | 715                       | 529                       |
| Net gain (loss) on investments                                     | 2,224                     | (747)                     |
| Total operating expenses   | (911)                     | (1,525)                   |
| Recovery (provision) for expected credit losses                    | 44                        | (13,450)                  |
| <b>Total increase (decrease) in net assets</b>                     | <b>7,397</b>              | <b>(6,164)</b>            |
| Increase (decrease) in net assets attributable to limited partners | 6,697                     | (3,556)                   |
| Increase (decrease) in net assets attributable to general partner  | 700                       | (2,608)                   |

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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

## 7. Customer contracts:

| As at  | September 30, 2023 |                       |                  |                 |                   |
|--|--------------------|-----------------------|------------------|-----------------|-------------------|
| Carrying amount  | Network Services   | Distribution Services | Credit Reporting | Real Estate     | Total             |
| Opening balance, January 1, 2023                                     | \$ 9,493           | \$ 3,366              | \$ 1,003         | \$ -            | \$ 13,862         |
| Additions through acquisition  | -                  | -                     | -                | 2,076           | 2,076             |
| <b>Balance, September 30, 2023</b>                                   | <b>\$ 9,493</b>    | <b>\$ 3,366</b>       | <b>\$ 1,003</b>  | <b>\$ 2,076</b> | <b>\$ 15,938</b>  |
| <b>Accumulated depreciation and impairment of customer contracts</b> |                    |                       |                  |                 |                   |
| Opening balance, January 1, 2023                                     | \$ (5,985)         | \$ (525)              | \$ (301)         | \$ -            | \$ (6,811)        |
| Depreciation   | (701)              | (786)                 | (150)            | (410)           | (2,047)           |
| <b>Balance, September 30, 2023</b>                                   | <b>\$ (6,686)</b>  | <b>\$ (1,311)</b>     | <b>\$ (451)</b>  | <b>\$ (410)</b> | <b>\$ (8,858)</b> |
| <b>Carrying value – September 30, 2023</b>                           | <b>\$ 2,807</b>    | <b>\$ 2,055</b>       | <b>\$ 552</b>    | <b>\$ 1,666</b> | <b>\$ 7,080</b>   |
| <br>   |                    |                       |                  |                 |                   |
| As at  | September 30, 2022 |                       |                  |                 |                   |
| Carrying amount  | Network Services   | Distribution Services | Credit Reporting | Real Estate     | Total             |
| Opening balance, January 1, 2022                                     | \$ 9,493           | \$ -                  | \$ 1,003         | \$ -            | \$ 10,496         |
| Additions through acquisition  | -                  | 3,342                 | -                | -               | 3,342             |
| Effect of movement in exchange rates                                 | -                  | 34                    | -                | -               | 34                |
| <b>Balance September 30, 2022</b>                                    | <b>\$ 9,493</b>    | <b>\$ 3,376</b>       | <b>\$ 1,003</b>  | <b>\$ -</b>     | <b>\$ 13,872</b>  |
| <b>Accumulated depreciation and impairment of customer contracts</b> |                    |                       |                  |                 |                   |
| Opening balance, January 1, 2022                                     | \$ (4,530)         | \$ -                  | \$ (100)         | \$ -            | \$ (4,630)        |
| Depreciation   | (1,222)            | (262)                 | (150)            | -               | (1,634)           |
| <b>Balance, September 30, 2022</b>                                   | <b>\$ (5,752)</b>  | <b>\$ (262)</b>       | <b>\$ (250)</b>  | <b>\$ -</b>     | <b>\$ (6,264)</b> |
| <b>Carrying value – September 30, 2022</b>                           | <b>\$ 3,741</b>    | <b>\$ 3,114</b>       | <b>\$ 753</b>    | <b>\$ -</b>     | <b>\$ 7,608</b>   |

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

## 8. Property and equipment:

| As at   | September 30, 2023     |                                  |                                      |                                   |                   |
|---|------------------------|----------------------------------|--------------------------------------|-----------------------------------|-------------------|
|   | Network<br>Co-location | Network<br>Services<br>Equipment | Premises<br>and Related<br>Equipment | Distributed<br>Power<br>Equipment | Total             |
| <b>Cost</b>   |                        |                                  |                                      |                                   |                   |
| Beginning balance, January 1, 2023                          | \$ 3,909               | \$ 11,106                        | \$ 26,467                            | \$ 7,118                          | \$ 48,600         |
| Additions (disposals) <sup>1</sup>                          | -                      | 252                              | 4,870                                | -                                 | 5,122             |
| Reclassification from property and equipment                |                        |                                  |                                      |                                   |                   |
| under development and related deposits                      | -                      | -                                | -                                    | 17,265                            | 17,265            |
| Effect of foreign exchange rate movement                    | -                      | -                                | 7                                    | -                                 | 7                 |
| Derecognition   | -                      | -                                | (503)                                | -                                 | (503)             |
| <b>Balance, September 30, 2023</b>                          | <b>\$ 3,909</b>        | <b>\$ 11,358</b>                 | <b>\$ 30,841</b>                     | <b>\$ 24,383</b>                  | <b>\$ 70,491</b>  |
| <b>Accumulated depreciation and impairment of equipment</b> |                        |                                  |                                      |                                   |                   |
| Beginning balance, January 1, 2023                          | \$(3,428)              | \$(6,283)                        | \$(2,758)                            | \$ (912)                          | \$(13,381)        |
| Depreciation  | (320)                  | (923)                            | (3,615)                              | (5)                               | (4,863)           |
| Derecognition   | -                      | -                                | 503                                  | -                                 | 503               |
| <b>Balance, September 30, 2023</b>                          | <b>\$(3,748)</b>       | <b>\$(7,206)</b>                 | <b>\$(5,870)</b>                     | <b>\$ (917)</b>                   | <b>\$(17,741)</b> |
| <b>Carrying value – September 30, 2023</b>                  | <b>\$ 161</b>          | <b>\$ 4,152</b>                  | <b>\$ 24,971</b>                     | <b>\$ 23,466</b>                  | <b>\$ 52,750</b>  |

<sup>1</sup>Includes right-of-use assets with a carrying value of \$2,751.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

## 8. Property and equipment (continued):

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

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

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

# CROWN CAPITAL PARTNERS INC.

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As at and for the nine months ended September 30, 2023 and 2022

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

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

| As at                                      | September 30, 2023                           |   |   |                  |
|--|--|---|---|------------------|
|  | Real estate<br>property under<br>development | Distributed power<br>equipment under<br>development and<br>related deposits | Network<br>equipment under<br>development | Total            |
| <b>Carrying amount</b>                     |  |   |   |                  |
| Balance, January 1, 2023                   | \$ 24,642                                    | \$ 16,499   | \$ 5,215                                  | \$ 46,356        |
| Additions                                  | 1,540  | 8,767   | 10,981                                    | 21,288           |
| Reclassification to property and equipment | -  | (17,265)  | -   | (17,265)         |
| <b>Balance, September 30, 2023</b>         | <b>\$ 26,182</b>                             | <b>\$ 8,001</b>   | <b>\$ 16,196</b>                          | <b>\$ 50,379</b> |

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

Additions to real estate property under development includes capitalized interest of \$1,033 in the nine months ended September 30, 2023 (September 30, 2022 - \$857) in respect of mortgages payable.

Additions to distributed power equipment under development and related deposits includes capitalized interest of \$1,162 for the nine months ended September 30, 2023 (September 30, 2022 - \$472).

## 10. Mortgages payable:

Effective May 27, 2022, the Corporation entered into an agreement for a non-amortizing mortgage payable of \$11,900 that is secured by the value of property under development, has a maturity date of November 30, 2023, and bears interest based on Prime Rate plus 570 bps (with a floor of 8.40%) per annum. The fair value of the mortgage payable approximates its carrying value due to the variable rate of interest applicable to this instrument.



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## 11. Share-based compensation:

A portion of compensation paid to directors consists of Director Deferred Share Units (“DDSU”) issued pursuant to a DDSU Plan. DDSUs vest immediately upon grant and are redeemable no earlier than the date at which a director ceases to be a director, and no later than December 14 in the calendar year following such date. Upon redemption, DDSUs are settled by cash payments based on the market value of the DDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its DDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. At September 30, 2023, the deferred compensation liability was \$1,461 (December 31, 2022 - \$1,588).

Stock options granted are valued using a Black-Scholes formula and the expense is recognized over the vesting period. The stock options vested over a three-year period, have a term of seven years expiring on December 31, 2026 and an exercise price of \$10.00. During the nine months ended September 30, 2023 and September 30, 2022, no stock options were granted. The related expense is recognized over the vesting period. The fair value of the options granted was \$0.13 per option. As at September 30, 2023, 282,921 (December 31, 2022 – 188,614) stock options had vested but had not been exercised, and an additional nil (December 31, 2022 – 94,307) stock options which had not vested were outstanding.

The tables below detail the share-based compensation expense recognized in the nine months ended September 30, 2023 and 2022.

| For the nine months ended September 30, 2023 |   |                         |                        |                           |  |                           |
|--|---|-------------------------|------------------------|---------------------------|--|---------------------------|
|  | Number<br>outstanding at<br>January 1, 2023 | Issued in<br>the period | Vested or<br>exercised | Cancelled<br>or forfeited | Number<br>outstanding at<br>September 30, 2023 | Recovery in<br>the period |
| DDSU's                                       | 176,457                                     | 18,800                  | -                      | -                         | 195,257  | \$ (45)                   |
| Stock options                                | 282,921                                     | -                       | -                      | -                         | 282,921  | -                         |
| <b>Total</b>                                 | <b>459,378</b>                              | <b>18,800</b>           | <b>-</b>               | <b>-</b>                  | <b>478,178</b>                                 | <b>\$ (45)</b>            |

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

# CROWN CAPITAL PARTNERS INC.

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## 12. Credit facilities:

Prior to February 7, 2023, the Corporation had a senior secured corporate credit facility (the “Preceding Crown Credit Facility”) that was comprised of a \$20,000 revolving credit facility to be used to fund the Corporation’s capital commitments to existing investments, including its uncalled capital commitments to each of Crown Partners Fund and Crown Power Fund, potential acquisitions and for general corporate purposes, in addition to a \$3,500 dedicated-purpose letter of credit facility. The revolving credit facility provided financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, had a customary set of covenants, and had a maturity date of May 7, 2024, which was subject to annual extension by one or more years at the request of the Corporation.

Effective February 7, 2023, the Corporation entered into a new senior secured corporate credit facility (the “Crown Credit Facility”, and together with the Preceding Crown Credit Facility, the “Credit Facilities”) with Canadian Western Bank (“CWB”) of up to \$43,500 to be used to fund a full repayment and cancellation of lender commitments in respect of the Preceding Crown Credit Facility, support working capital and growth capital requirements of the Corporation and its operating businesses, and to fund the Corporation’s remaining capital commitment in respect of Crown Power Fund. The Crown Credit Facility originally included an amortizing term loan of up to \$30,000 with a maturity date of February 7, 2028, an operating loan of up to \$10,000 with availability subject to margin condition restrictions, and a dedicated-purpose letter of credit facility of up to \$3,500. The term loan was comprised of an initial advance of \$25,000 plus \$5,000 available to be advanced upon request by the Corporation prior to June 30, 2023. The Corporation did not request the advance of this additional \$5,000 prior to June 30, 2023, and, accordingly, this amount is no longer available for advance in respect of the term loan. 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.

Quarterly repayments in respect of the term loan commenced on September 30, 2023 in the amount of \$500 for each of the first ten quarterly periods (i.e., to December 31, 2025), \$750 for each of the following four periods (i.e., to December 31, 2026) and \$1,000 for each of the subsequent four periods (i.e., to December 31, 2027).

As of September 30, 2023, \$24,500 is outstanding on the Crown Credit Facility (December 31, 2022 - \$18,250 was outstanding on the Preceding Crown Credit Facility), and letters of credit totaling \$2,973 were issued and outstanding. As at September 30, 2023, there was an undrawn balance of \$10,000 in respect of the operating loan component of the Crown Credit Facility, of which \$5,000 was available to the Corporation based upon margin condition restrictions. The Crown Credit Facility is secured by the Corporation’s ownership interest in its subsidiaries, in its affiliate, Crown Partners Fund, and in certain other investments held by the Corporation and its subsidiaries. The carrying value of the Crown Credit Facility at September 30, 2023 of \$23,761 was comprised of gross advances of \$24,500 net of unamortized deferred financing costs of \$739.

The Crown Credit Facility is subject to covenant clauses, whereby the Corporation is required to meet certain key financial ratios. As at September 30, 2023, the Corporation did not fulfil the Net Total Debt to Trailing Twelve Month Earnings before Interest, Taxes, Depreciation and Amortization and Fixed Charge Coverage ratio requirements of the Crown Credit Facility. Accordingly, CWB is contractually entitled to request immediate repayment of the outstanding loan amount of \$24,500. The outstanding balance is presented as a current liability as at September 30, 2023. CWB had not requested early repayment of the loan as of the date when these financial statements were approved by the Corporation’s Board of Directors. Management is renegotiating the terms of the credit agreement and expects that revised terms will be in place in the fourth quarter of 2023.

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## 13. Debentures and Convertible Debentures:

On June 13, 2018 the Corporation issued \$20,000 of 6.0% convertible unsecured subordinated debentures (the “Convertible Debentures”) for net proceeds of \$18,703 with an original maturity date of June 30, 2023. Each \$1 principal amount of Convertible Debenture was convertible at the option of the holder into approximately 72.99 common shares of the Corporation (representing a conversion price of \$13.70 per share).

Effective June 30, 2023, as approved by the holders (“Debentureholders”) of the Convertible Debentures, the terms of the Convertible Debentures were amended to (i) extend the maturity of the Convertible Debentures from June 30, 2023 to December 31, 2024 (“Amended Debenture Maturity Date”); (ii) amend the interest rate on the Convertible Debentures from 6% to 10%; (iii) remove the conversion rights of the Debentureholders; and (iv) remove the right of the Corporation to repay the principal amount of the Convertible Debentures in common shares of the Corporation on the Amended Debenture Maturity Date or any redemption date. Effective June 30, 2023, the Convertible Debentures have been reclassified as debentures (the “Debentures”).

Interest on the Debentures is payable semi-annually in arrears on June 30 and December 31 of each year. The Debentures are direct, unsecured obligations of the Corporation that are subordinated to the Crown Credit Facility.

The fair value of the Debentures is \$19,800 at September 30, 2023 (December 31, 2022 - \$19,000). The Debentures are classified as Level 1 because they are actively traded on the TSX and the fair value is based on the quoted market prices.

| As at                              | September 30, 2023  |                  |
|------------------------------------|---------------------|------------------|
|                                    | Liability Component | Equity Component |
| Balance, January 1, 2023           | \$ 19,770           | \$ 483           |
| Effective interest                 | 284                 | -                |
| Amendment costs                    | (350)               | -                |
| Removal of conversion option       | -                   | (483)            |
| <b>Balance, September 30, 2023</b> | <b>\$ 19,704</b>    | <b>\$ -</b>      |

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

# CROWN CAPITAL PARTNERS INC.

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

## 14. Finance costs:

The following table reconciles total finance costs to costs recognized in relation to the Credit Facilities, the Debentures and Convertible Debentures, and the Corporation's lease obligations, including its office leases, vehicle leases and network co-location arrangements for the nine months ended September 30, 2023 and September 30, 2022:

| For the nine months ended              | September 30, 2023 |                                       |                             |                 |
|--|--------------------|---------------------------------------|-----------------------------|-----------------|
|  | Credit Facilities  | Debentures/<br>Convertible Debentures | Lease and other Obligations | Total           |
| Interest                               | \$ 1,638           | \$ 1,100                              | \$ 1,306                    | \$ 4,044        |
| Standby and other lending fees         | 127                | -                                     | -                           | 127             |
| Amortization of deferred finance costs | 306                | 284                                   | -                           | 590             |
| <b>Total Finance Costs</b>             | <b>\$ 2,071</b>    | <b>\$ 1,384</b>                       | <b>\$ 1,306</b>             | <b>\$ 4,761</b> |

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

# CROWN CAPITAL PARTNERS INC.

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

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

| <b>As at and for the nine months ended</b> | <b>September 30, 2023</b> |
|--|---------------------------|
|  | <b>Crown Power Fund</b>   |
| NCI percentage                             | 56.8%                     |
| Beginning balance, January 1, 2023         | \$ 22,070                 |
| Allocation of net income                   | 713                       |
| Contributions                              | 3,808                     |
| <b>Balance, September 30, 2023</b>         | <b>\$ 26,591</b>          |

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

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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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

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## 16. Share capital:

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

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

Including 120,556 common shares repurchased pursuant to a normal course issuer bid ("NCIB"), the Corporation purchased and cancelled a total of 1,450,556 shares during the nine months ended September 30, 2022.

On April 13, 2022, the Corporation renewed its NCIB to purchase up to 280,000 of its common shares, representing approximately 5.0% of its issued and outstanding shares as at March 31, 2022, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation's option. Any shares purchased under this bid were purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid were cancelled. The total number of shares purchased and cancelled under this NCIB was 5,000.

On April 13, 2023, the Corporation renewed its NCIB to purchase up to 280,000 of its common shares, representing approximately 5.0% of its issued and outstanding shares as at March 31, 2023, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation's option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled. The total number of shares purchased and cancelled under the current NCIB up to September 30, 2023 was 48,900.

During the three and nine months ended September 30, 2023, the Corporation purchased and cancelled a total of 22,000 and 53,900 shares, respectively (September 30, 2022 – nil and 1,450,556 shares) for total consideration of \$170 and \$413, respectively (September 30, 2022 - \$nil and \$10,969). The difference between the total consideration paid in respect of these purchases and the average carrying value of cancelled shares was \$48 (September 30, 2022 - \$1,443), net of fees and expenses relating to the purchases, and was recognized as a reduction to deficit.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

As at and for the nine months ended September 30, 2023 and 2022

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

## 17. Acquisition of assets:

(a) Acquisition of property management contracts:

(i) Consideration transferred:

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

|  | <b>January 1, 2023</b> |
|--|------------------------|
| Fair value of investment in a Canadian debt security | \$ 1,000               |
| <b>Total consideration transferred</b>               | <b>\$ 1,000</b>        |

(ii) Identifiable assets acquired:

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

|   | <b>January 1, 2023</b> |
|---|------------------------|
| Customer contracts                            | \$ 1,000               |
| <b>Total identifiable net assets acquired</b> | <b>\$ 1,000</b>        |

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

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## 17. Acquisition of assets (continued):

(b) Acquisition of property development contract:

(i) Consideration transferred:

Effective April 1, 2023, the Corporation, through its subsidiary PenEquity Inc., entered into a management services agreement in respect of which it effectively acquired a property development contract from PenEquity Realty Corp., to which the Corporation had a previous lending relationship. As consideration for the acquisition of assets, the Corporation agreed to the partial settlement of a Canadian debt security outstanding to PenEquity Realty Corp. The following table summarizes the acquisition date fair value of consideration transferred:

|  | <b>April 1, 2023</b> |
|--|----------------------|
| Fair value of investment in a Canadian debt security | \$ 1,076             |
| <b>Total consideration transferred</b>               | <b>\$ 1,076</b>      |

(ii) Identifiable assets acquired:

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

|   | <b>April 1, 2023</b> |
|---|----------------------|
| Customer contracts                            | \$ 1,076             |
| <b>Total identifiable net assets acquired</b> | <b>\$ 1,076</b>      |

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



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

| Nine months ended September 30,          | 2023            | 2022              |
|--|-----------------|-------------------|
| Accounts receivable                      | \$ (3,223)      | \$ (1,973)        |
| Prepaid expenses                         | (188)           | (2,037)           |
| Inventory                                | (215)           | (89)              |
| Lease earn-out receivable                | -               | (764)             |
| Accounts payable and accrued liabilities | 6,743           | 1,003             |
| Deferred revenue                         | (341)           | (294)             |
| <b>Total</b>                             | <b>\$ 2,776</b> | <b>\$ (4,154)</b> |

## 19. Segment information:

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

The following summary describes the operations of each reportable segment:

| Reportable segments   | Operations  |
|-----------------------|---|
| Network services      | Deployment and management of carrier-grade data networks to select underserved markets.   |
| Distribution services | Provision of end-to-end integrated ecommerce and business-to-business order fulfillment and distribution services, including warehousing and freight management.                                |
| Specialty finance     | Investments in Crown Partners Fund and in corporate debt and equity securities.   |
| Distributed power     | Origination and management of, and investment in, distributed power investments.  |
| Real estate           | Investment in, and development of, real estate properties and the provision of advisory and asset management services in respect of large-scale retail, entertainment and mixed-use properties. |
| Corporate and other   | Includes the Corporation's credit reporting subsidiary, in addition to assets, liabilities, revenues and expenses that do not pertain directly to other reportable segments.                    |

Information in respect of reportable segments for the nine months ended September 30, 2023 and September 30, 2022 is presented in the tables below. Segment income (loss) before income taxes is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

# CROWN CAPITAL PARTNERS INC.

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## 19. Segment information (continued):

| For the nine months ended                              | September 30, 2023  |                  |                       |                   |                   |             | Total     |
|--|---------------------|------------------|-----------------------|-------------------|-------------------|-------------|-----------|
|  | Reportable segments | Network services | Distribution services | Specialty finance | Distributed power | Real estate |           |
| Revenues <sup>1</sup>                                  | \$ 21,530           | \$ 26,154        | \$ -                  | \$ 1,932          | \$ 2,629          | \$ 1,406    | \$ 53,651 |
| Share of earnings of Crown Partners Fund <sup>2</sup>  | -                   | -                | 2,500                 | -                 | -                 | -           | 2,500     |
| Segment income (loss) before income taxes <sup>3</sup> | 115                 | (2,482)          | 2,149                 | 757               | (133)             | (4,696)     | (4,290)   |
| Cost of network services revenue                       | 12,781              | -                | -                     | -                 | -                 | -           | 12,781    |
| Cost of distribution services revenue                  | -                   | 18,232           | -                     | -                 | -                 | -           | 18,232    |
| Financing costs  | 89                  | 1,158            | -                     | -                 | -                 | 3,514       | 4,761     |
| Depreciation   | 2,170               | 4,083            | -                     | 5                 | 410               | 242         | 6,910     |
| Income tax expense – current                           | 450                 | 43               | -                     | 5                 | 76                | -           | 574       |
| Income tax recovery – deferred                         | (287)               | (355)            | -                     | (6)               | -                 | (542)       | (1,190)   |
| Other material non-cash items:                         |                     |                  |                       |                   |                   |             |           |
| Performance bonus expense                              | -                   | -                | 351                   | -                 | -                 | -           | 351       |
| Remeasurement of financial instruments                 | -                   | 611              | -                     | -                 | -                 | -           | 611       |
| Net additions to (disposals of) property and equipment | 1,090               | 3,892            | -                     | -                 | -                 | 140         | 5,122     |

<sup>1</sup> All revenues in the period were external revenues. Three customers from the Corporation's "network services" segment and three customers of the Corporation's "distribution services" segment represented approximately \$6,487 and \$15,536, respectively, of the Corporation's total revenues.

<sup>2</sup> The Corporation's share of earnings from Crown Partners Fund in respect of its limited partnership and general partnership interests, is a non-cash item that does not equal the value of distributions paid to the Corporation by Crown Partners Fund (see Note 6).

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

<sup>4</sup> Distribution services revenue includes \$9,777 of warehousing and distribution services revenue and \$16,377 of freight management services revenue.

# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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## 19. Segment information (continued):

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

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

<sup>2</sup> The Corporation's share of losses from Crown Partners Fund in respect of its limited partnership and general partnership interests, is a non-cash item that does not equal the value of distributions paid to the Corporation by Crown Partners Fund (see Note 6).

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

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## 19. Segment information (continued):

| As at                              | September 30, 2023 |                       |                   |                   |             |                     |            |
|------------------------------------|--------------------|-----------------------|-------------------|-------------------|-------------|---------------------|------------|
| Reportable segments                | Network services   | Distribution services | Specialty finance | Distributed power | Real estate | Corporate and other | Total      |
| Segment assets <sup>1,2</sup>      | \$ 36,373          | \$ 34,717             | \$ 24,086         | \$ 46,516         | \$ 28,956   | \$ 8,354            | \$ 179,002 |
| Segment liabilities <sup>1,2</sup> | 13,509             | 27,601                | 3,460             | 26,952            | 12,632      | 48,295              | 132,449    |

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

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

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

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

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

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## 20. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at September 30, 2023:

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

As at September 30, 2023, the Corporation, through Galaxy, has an aggregate commitment with respect to its use of broadband network infrastructure of \$73,457 over a six-year period, inclusive of an aggregate commitment denominated in U.S. dollars of US\$53,915.

| Year         | Purchase commitment |
|--------------|---------------------|
| 2023         | \$ 8,702            |
| 2024         | 16,455              |
| 2025         | 16,795              |
| 2026         | 14,398              |
| 2027         | 13,577              |
| 2028         | 3,530               |
| <b>Total</b> | <b>\$ 73,457</b>    |

The Corporation, through CNP, has a commitment to invest a total of \$15,000 over a four-year period in a partnership with YTN Telecom Network Inc. to finance, construct and operate an advanced optical fibre network to provide high-speed internet to The Regional Municipality of York.

The Corporation, through WireIE Inc., has an aggregate commitment with respect to its use of broadband network infrastructure of \$764 as at September 30, 2023.

The Corporation, through Crown Capital Funding Corporation ("CCFC"), has an aggregate commitment to provide funding to Crown Partners Fund and Crown Capital Fund IV Investment, LP ("CCF IV Investment") of \$16,028 as at September 30, 2023. This commitment is in respect of limited partnership units held by the Corporation and is pursuant to the related limited partnership agreements. The investment period of each of Crown Partners Fund and CCF IV Investment expired on December 31, 2021, and the assets of these funds will be managed down with a view to dissolving the funds in an orderly fashion prior to the end of their terms on September 30, 2025. After the December 31, 2021 expiration of the investment period of these funds, additional committed capital may be called but only to extent required for certain purposes including to cover operating deficits and, to a maximum of 20% of the committed capital, to make follow-on investments. The Corporation does not expect any future funding requirements in respect of its uncalled capital commitments to Crown Partners Fund and CCF IV Investment.

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# CROWN CAPITAL PARTNERS INC.

Notes to condensed consolidated interim financial statements

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## 20. Commitments and contingencies (continued):

As at September 30, 2023, the Corporation, through Crown Power Fund, had committed to contracts valued at \$6,035 in relation to the construction of power generation assets, of which \$4,387 was funded and included in property and equipment under development and related deposits and \$1,648 was unfunded, of which \$937 was attributable to non-controlling interests.

The Corporation has guaranteed repayment of loans advanced to participants in the Corporation's executive share purchase plan (the "Share Purchase Plan") by a third-party financial institution pursuant to the Share Purchase Plan which totaled \$1,206 as at September 30, 2023 (December 31, 2022 - \$1,409), and which are secured by common shares of the Corporation owned by such participants with a value of \$2,971 as at September 30, 2023 (December 31, 2022 - \$3,575).

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.