MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2023

Crown Capital Partners Inc.
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ORGANIZATION OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

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

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

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

This MD&A should be read in conjunction with our audited annual consolidated financial statements as at and for the year ended December 31, 2023 and the notes thereto, which have been prepared in accordance with IFRS Accounting Standards, and our other recent filings with Canadian securities regulatory authorities.

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

PART 1 – OUR BUSINESS

BUSINESS OVERVIEW

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

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

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

Reportable segments	**Operations**
Network services	Deployment and management of carrier-grade data networks to select underserved markets.
Distribution services	Provision of end-to-end integrated ecommerce and business-to-business order fulfillment and distribution services, including warehousing and freight management.
Specialty finance	Includes our investments in Crown Partners Fund and in corporate debt and equity securities.
Distributed power	Origination and management of, and investment in, distributed power investments held through Crown Power Fund.
Real estate	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 our credit reporting subsidiary, Lumbermens, in addition to assets, liabilities, revenues and expenses that do not pertain directly to other reportable segments.

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

AS AT AND FOR THE YEAR ENDED DEC. 31, 2023 (THOUSANDS)	Reportable Segments						
	Network Services	Distribution Services	Specialty Finance	Distributed Power	Real Estate	Corporate and Other	Total
Assets	$ 45,063	$ 33,103	$ 24,339	$ 40,492	$ 30,476	$ 3,181	$ 176,654
Liabilities excl. non-controlling interests	20,119	26,154	3,533	281	13,099	52,252	115,438
Non-controlling interests	-	-	-	23,030	(42)	-	22,988
Net assets	24,944	6,949	20,806	17,181	17,419	(49,071)	38,228
Revenues	26,929	34,396	-	2,400	4,016	1,810	69,551
Share of earnings of Crown Partners Fund	-	-	2,983	-	-	-	2,983
Cost of network services revenue	15,750	-	-	-	-	-	15,750
Cost of distribution services revenue	-	23,369	-	-	-	-	23,369
Depreciation	3,503	5,573	-	278	580	299	10,233
Finance costs	120	1,586	-	-	-	4,883	6,589
Income (loss) before income taxes	(610)	(3,640)	2,559	(1,978)	207	(6,242)	(9,704)

1. For more information, refer to Note 26 - *Segment information* of the condensed consolidated interim financial statements.

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

AS AT AND FOR THE YEAR ENDED DEC. 31, 2022 (THOUSANDS)	Reportable Segments						
	Network Services	Distribution Services	Specialty Finance	Distributed Power	Real Estate	Corporate and Other	Total
Assets	$ 23,849	$ 32,867	$ 36,658	$ 37,810	$ 27,535	$ 7,943	$ 166,662
Liabilities excl. non-controlling interests	8,199	27,941	3,109	69	12,478	42,126	93,922
Non-controlling interests	-	-	-	22,070	-	-	22,070
Net assets	15,650	4,926	33,549	15,671	15,057	(34,183)	50,670
Revenues	27,262	14,071	2	1,623	-	1,879	44,837
Share of losses of Crown Partners Fund	-	-	(4,656)	-	-	-	(4,656)
Cost of network services revenue	13,789	-	-	-	-	-	13,789
Cost of distribution services revenue	-	10,041	-	-	-	-	10,041
Depreciation	3,876	1,918	-	4	-	377	6,175
Finance costs	175	567	-	203	-	2,690	3,635
Income (loss) before income taxes	3,084	(1,947)	(3,166)	(1,021)	144	(6,682)	(9,588)

1. For more information, refer to Note 26 - *Segment information* of the condensed consolidated interim financial statements.

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

BASIS OF CONSOLIDATION

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

Intercompany revenues and expenses between Crown and its subsidiaries are eliminated in our Consolidated Statements of Comprehensive Loss; however, certain of these items affect the attribution of net income between shareholders of the Corporation ("**Shareholders**") and non-controlling interests. For example, management fees paid by investment fund subsidiaries are eliminated from consolidated revenues and expenses. However, as the Shareholders are attributed all of the fee revenues while only attributed their proportionate share of the investment funds' expenses, the amount of net income attributable to Shareholders is increased with a corresponding decrease in the net income attributable to non-controlling interests.

Crown holds its interests in Crown Partners Fund, Crown Power Fund and Crown Private Credit Fund through CCFC, a 100%-owned subsidiary.

Crown consolidates 100% of its approximate 43.2% interest in Crown Power Fund and its 100% interest in Crown Private Credit Fund and reflects the interests of other investors in these funds, if any, as non-controlling interests.

Crown's 28.0% effective interest in Crown Partners Fund as at December 31, 2023 includes its 26.8% direct interest in Crown Partners Fund in addition to its 19.8% interest in CCF IV Investment LP, whose net assets are comprised solely of a 5.6% interest in Crown Partners Fund. Crown Partners Fund is recognized as an investment in associate accounted for using the equity method.

Crown's 100%-owned subsidiaries CCF III and Crown Power GP are the general partners and managers of NCOF LP and Crown Power Fund, respectively. Crown's 100%-owned subsidiary Crown Partners Fund GP is the general partner of Crown Partners Fund.

Crown holds an effective interest of 85.8% in Onsite Power, including a direct 75% interest in addition to a 25% interest held through Crown Power Fund.

Crown holds a 100% interest in each of WireIE and its wholly owned subsidiaries, WireIE Canada and WireIE Development Inc., WireIE Inc., Galaxy and Community Network Partners.

Crown holds a 100% interest in PenEquity Development GP Inc., the general partner of PDLP. Through Crown Private Credit Fund, Crown holds a 100% interest in PDLP. Through PDLP, Crown holds a 100% interest in each of PSCC and PBC, which were acquired effective March 1, 2021 and April 15, 2021, respectively.

Crown holds a 12.5% interest in CPCP.

Through Crown Private Credit Fund, Crown holds a 100% interest in Lumbermens.

Effective June 24, 2022, Crown acquired a 100% interest in Go Direct Global and its wholly owned subsidiaries Go Direct SCS and Go Direct America.

Effective January 1, 2023, Crown holds a 70% common equity interest and a 100% preferred equity interest in PenEquity Inc.

Effective August 3, 2023, an effective interest of 44.5% in each of LESC and Wilson Creek Energy (47.7% prior to August 2, 2023), including, for each, a 10% interest held directly by the Corporation and an 80% interest held by Crown Power Fund (33.3% and 33.3%, respectively, prior to August 2, 2023).

PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS

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

OVERVIEW

For the year ended December 31, 2023, we recognized a net loss of $(12.2) million compared with a net loss of $(7.5) million in the year ended December 31, 2022. Highlights in respect of our results for the year ended December 31, 2023 include the following:

- Our Distribution Services segment recorded a net loss before income taxes of $(3.6) million (2022 – $(1.9) million), inclusive of depreciation and amortization expense totaling $5.6 million (2022 - $1.9 million), of which a net loss of $(1.3) million (2022 - $(0.9) million) is related to Go Direct SCS, with the remaining net loss attributable to the ongoing ramp up of facilities that commenced commercial operations in 2022. Distribution Services revenue increased by 144% compared with 2022 due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and 2023.

- Our Network Services segment reported a net loss before income taxes of $(0.6) million (2022 – net income before income taxes of $3.1 million), inclusive of depreciation and amortization expense totaling $3.5 million (2022 - $3.9 million) and accrued restructuring costs of $0.5 million (2022 – $nil). Network Services revenue decreased by 1.2% compared with 2022 due to a year-over-year revenue decline from WireIE, which is experiencing a net cancelation of customer contracts, that more than offset modest growth from Galaxy, for which a large construction-sector contract concluded in mid-Q2 2023, and Community Network Partners. The operating costs of the Network Services segment, salary expense in particular, increased year-over-year due to incremental investment in growth initiatives.

- For the year ended December 31, 2023, our Real Estate segment recorded net income before income taxes of $0.2 million (2022 - $0.1 million), inclusive of depreciation and amortization expense of $0.6 million (2022 - $nil), our Distributed Power segment recorded a net loss before income taxes of $2.0 million (2022 - $1.0 million net loss before income taxes) inclusive of asset impairment charges totaling $6.1 million (2022 - $3.6 million), and our Specialty Finance segment recorded net income before income taxes of $2.6 million (2022 – net loss before income taxes of $3.2 million), representing our share of earnings of Crown Partners Fund.

- Since September 30, 2023, Crown has not satisfied certain financial covenants of the Crown Credit Facility and, accordingly, Canadian Western Bank ("CWB") is contractually entitled to request immediate repayment of the outstanding loan in the amount of $27.4 million. The outstanding balance is presented as a current liability as at December 31, 2023. CWB had not requested early repayment of the loan as of the date at which Crown's audited consolidated financial statements for the year ended December 31, 2023 and 2022 were approved by our Board of Directors. On December 29, 2023, the Crown Credit Facility was amended to reduce the operating loan limit from $10.0 million to $5.0 million, to provide additional security in support of the loan, and to provide access to $2.1 million on the operating loan on a non-margined basis until February 29, 2024.

- On December 29, 2023, Crown completed a non-brokered private placement offering of 1,500 units at a price of $980 per unit for gross proceeds of $1.47 million. Each unit is comprised of one 10% redeemable secured subordinated debenture in the principal amount of $1,000 maturing on June 30, 2025 and 50 common share purchase warrants with each warrant entitling the holder to purchase one Common Share at a price of $7.00 per Common Share until December 29, 2026. The offering was fully subscribed by directors of the Corporation.

- Community Network Partners completed construction of the first segment of the *Ontario Connects: Accelerated High-Speed Internet Program* (the "**Ontario Connects Program**"), resulting in the recognition of $8.5 million of deferred revenue as at December 31, 2023 in respect of a government subsidy received subsequent to year end, which will be amortized over the 20 year useful life of the related network infrastructure asset.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the Corporation for the years ended December 31, 2023, 2022 and 2021:

FOR THE YEARS ENDED DEC. 31 (THOUSANDS)	**2023**	2022	2021	Change 2023 vs 2022	Change 2022 vs 2021
Revenues					
Distribution services revenue	**$ 34,377**	$ 14,071	$ -	$ 20,306	$ 14,071
Network services revenue	**26,929**	27,262	27,643	(333)	(381)
Fees and other income	**5,866**	1,909	2,013	3,957	(104)
Distributed power interest revenue	**2,132**	1,593	13,248	539	(11,655)
Merchant power revenue	**247**	-	-	247	-
Net realized (loss) gain from investments	**-**	(1,268)	86	1,268	(1,354)
Net change in unrealized gains (losses) of investments	**-**	1,270	(322)	(1,270)	1,592
Total revenue	**69,551**	44,837	42,668	24,714	2,169
Share of earnings (losses) of Crown Partners Fund	**2,983**	(4,656)	4,728	7,639	(9,384)
Expenses					
Cost of distribution services revenue	**(23,369)**	(10,041)	-	(13,328)	(10,041)
Cost of network services revenue	**(15,750)**	(13,789)	(12,986)	(1,961)	(803)
Cost of merchant power revenue	**(233)**	-	-	(233)	-
Salaries and benefits	**(14,300)**	(10,244)	(8,383)	(4,056)	(1,861)
Share-based compensation recovery (expense)	**309**	(530)	(803)	839	273
Performance bonus (expense) recovery	**(424)**	1,488	(1,358)	(1,912)	2,846
General and administration	**(8,750)**	(5,711)	(3,492)	(3,039)	(2,219)
Foreign exchange (loss) gain	**(219)**	166	(2)	(385)	168
Depreciation	**(10,233)**	(6,175)	(3,880)	(4,058)	(2,295)
Provision for bad debt	**(189)**	(12)	(93)	(177)	81
Recovery of (provision for) credit losses	**74**	590	(2,299)	(516)	2,889
Finance costs	**(6,589)**	(3,635)	(4,075)	(2,954)	440
Impairment of property and equipment	**(5,171)**	(350)	(658)	(4,821)	308
Impairment of distributed power equipment under development and related deposits	**(895)**	(3,291)	-	2,396	(3,291)
Total expenses	**(85,739)**	(51,534)	(38,029)	(34,205)	(13,505)
(Loss) income before other adjustments and income taxes	**(13,205)**	(11,353)	9,367	(1,852)	(20,720)
Gain on acquisition	**-**	73	73	(73)	-
Gain on derecognition of subsidiary	**-**	-	1,588	-	(1,588)
Remeasurement of financial instruments	**611**	144	(2,539)	467	2,683
Non-controlling interests	**2,890**	1,548	(6,108)	1,342	7,656
Income tax (expense) recovery	**(2,448)**	2,113	(371)	(4,561)	2,484
Net (loss) income	**(12,152)**	(7,475)	2,010	(4,677)	(9,485)
Foreign currency translation adjustment	**62**	35	-	27	35
Comprehensive (loss) income	**(12,090)**	(7,440)	2,010	(4,650)	(9,450)
Net (loss) income per share attributable to Shareholders - basic	**$ (2.16)**	$ (1.26)	$ 0.23	$ (0.90)	$ (1.49)
Net (loss) income per share attributable to Shareholders - diluted	**$ (2.16)**	$ (1.26)	$ 0.23	$ (0.90)	$ (1.49)

Distribution Services Revenue

Through its wholly owned subsidiary Go Direct Global, which was acquired on June 24, 2022, the Corporation earns revenue in relation to its provision of distribution services, including warehousing, kitting, inventory handling and freight management services. Distribution services revenue totaled $34.4 million in the year ended December 31, 2023 (2022 - $14.1 million) with the year-over-year increase due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and 2023.

Network Services Revenue

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

The Corporation's revenues in the year ended December 31, 2023 include network services revenue of $26.9 million (2022 - $27.3 million). Network services revenue decreased by 1.2% compared with 2022 due to a year-over-year decline in revenue from WireIE, which is experiencing a net cancelation of customer contracts, that more than offset modest growth from Galaxy, for which a large construction-sector contract concluded in mid-Q2 2023, and Community Network Partners.

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

Fees and Other Income

In the year ended December 31, 2023, we recognized fees and other income totaling $5.9 million (2022 - $1.9 million), comprised primarily of property management and development revenues of $4.0 million (2022 - $nil), and credit reporting revenue of $1.5 million (2022 - $1.5 million). The increase in fees and other income compared with the prior year period is due to the addition of property management revenue effective January 1, 2023 in respect of certain property management services and development contracts acquired from PenEquity Realty by PenEquity Inc.

Distributed Power Interest Revenue

Distributed power interest revenue totaled $2.1 million in the year ended December 31, 2023 compared with $1.6 million in the year ended December 31, 2022. All distributed power interest revenue represents interest recognized by Crown Power Fund on net investment in leased distributed power equipment and interest capitalized to distributed power equipment under development and related deposits that will be subsequently recovered through receipt of lease payments over the duration of lease contracts in relation to such assets. Distributed power interest revenue recognized by the Crown Power Fund in the year ended December 31, 2023 increased by $0.5 million year-over-year with increases in property and equipment under development.

Merchant Power Revenue

Merchant power revenue totaled $0.2 million in the year ended December 31, 2023 (2022 - $nil), relating to the power generation activities of the Wilson Creek power project that was commissioned during the third quarter of 2023.

Share of Earnings (Losses) of Crown Partners Fund

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

For the year ended December 31, 2023, our share of earnings (losses) of Crown Partners Fund totaled $3.0 million (2022 - $(4.7) million), of which $2.1 million is in respect of our effective ownership of 28.0% of the limited partnership units of Crown Partners Fund (2022 - $(1.7) million), and $0.9 million is in respect of our general partnership interest in the fund and which represents the change during the period in the accrued value of the performance fee that Crown, as general partner, will be entitled to receive (2022 - $(3.0) million). The year-over-year improvement for the year ended December 31, 2023 is primarily due to the recognition of a larger provision for expected credit loss in the first quarter of 2022, which negatively impacted our share of losses in respect of each of our limited partnership and general partnership interests. Compared with the prior-year, a reduction in the average level of invested assets also contributed to the earnings variances.

We provide additional detail regarding the share of earnings of Crown Partners Fund in *Note 7 – Investment in Crown Partners Fund* of the audited consolidated financial statements.

Expenses

Through its Distribution Services business, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of distribution services since the acquisition of Go Direct Global on June 24, 2022. For the year ended December 31, 2023, the cost of distribution services revenue totaled $23.4 million (2022 - $10.0 million), and includes costs associated with the usage of third-party logistics partners, directly attributable labour costs and other costs of distribution.

Through its Network Services businesses, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of network services. For the year ended December 31, 2023, the cost of network services revenue totaled $15.8 million (2022 - $13.8 million), including bandwidth fees of $9.7 million, hardware cost of sales of $1.7 million and $0.8 million of costs in relation to new projects of Community Network Partners that commenced during Q1 2023.

Salaries and benefits expense for the year ended December 31, 2023 totaled $14.3 million (2022 - $10.2 million), representing a year-over-year increase of $4.1 million for the year ended December 31, 2023. The increase in 2023 was primarily due to the hiring of the staff of PenEquity Inc. effective January 1, 2023 and, to a lesser extent, the acquisition of Go Direct Global on June 24, 2022. Net of amounts related to Go Direct Global and PenEquity Inc., salaries and benefits expense increased year-over-year by $0.2 million for the year ended December 31, 2023, with the increase attributable primarily to the Network Services businesses.

Share-based compensation expense includes changes in the carrying value of liabilities in relation to director deferred share units ("**DDSUs**") which are influenced by changes in the trading price of Common Shares, and by the issuance and redemption of DDSUs. Share-based compensation expense/(recovery) for the year ended December 31, 2023 of $(0.3) million (2022 - $0.5 million) related primarily to the impact of changes in the trading price of the Common Shares more than offsetting the value of DDSUs issued in 2023 to directors for current service. Additional information about share-based compensation can be found in *Note 14, Share-based compensation* in the Corporation's audited consolidated financial statements.

In the year ended December 31, 2023, we recognized a performance bonus expense of $0.4 million (2022 – recoveries of $1.5 million) reflecting a change in the level of accrued performance fee relating to Crown Partners Fund based on the performance of its investments in the year. The Corporation, through its 100%-owned subsidiary Crown Partners Fund GP, is the general partner of Crown Partners Fund and, as such, will be entitled to receive any performance fee distribution paid by Crown Partners Fund, of which 50% will be paid to certain employees and former employees.

General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. General and administration expenses totaled $8.8 million in the year ended December 31, 2023 (2022 - $5.7 million). Excluding amounts in relation to Go Direct Global, which was acquired in June 2022, PenEquity Inc., which commenced commercial operations on January 1, 2023, and Wilson Creek and Lionstooth, which have been consolidated since acquisition of control on August 3, 2023, general and administration expenses for the year ended December 31, 2023 increased by $0.4 million relative to the prior-year periods attributable primarily to Network Services businesses.

In the year ended December 31, 2023, depreciation expense totaled $10.2 million compared to $6.2 million in the year ended December 31, 2022, and was comprised primarily of:

- depreciation of premises and related equipment and distributed power equipment totaling $5.2 million, primarily relating to the depreciation of the right-of-use assets recognized in respect of the leased premises of Go Direct Global (2022 - $1.8 million);

- amortization of $2.8 million in relation to customer contracts recognized as intangible assets with finite useful lives (2022 - $2.2 million);

- depreciation of $1.9 million (2022 - $2.2 million) in relation to network services equipment and right-of-use assets associated with network services equipment, and property and vehicle lease arrangements of Network Services businesses; and

- depreciation of $0.3 million (2022 - $nil) in relation to fibre optic development projects in Community Network Partners.

Finance costs totaled $6.6 million in the year ended December 31, 2023 compared to $3.6 million in the year ended December 31, 2022, and were primarily comprised of:

- current period interest accruals, standby fees and the amortization of deferred financing costs related to Crown's credit facilities totaling $2.9 million (2022 - $1.0 million), with the year-over-year increase primarily due to a higher average level of debt outstanding and higher interest rates in relation to these facilities;

- interest expense and the amortization of deferred finance costs in relation to debentures, determined using the effective interest rate method as these debentures are measured at amortized cost, of $1.9 million (2022 - $1.6 million); and

- interest in relation to right-of-use lease arrangements totaling $1.8 million (2022 - $0.8 million).

In the year ended December 31, 2023, an impairment charge of $5.2 million (2022 - $0.4 million) was recognized in relation to certain distributed power equipment in order to reflect revised estimates of recoverable value based on recently available market prices.

In the year ended December 31, 2023, an impairment charge of $0.9 million (2022 - $3.3 million) was recognized in relation to distributed power equipment under development and related deposits to reflect revised estimates of the recoverable value of one distributed power project under development.

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

Income Taxes

We recorded an aggregate income tax expense (recovery) of $2.4 million in the year ended December 31, 2023 (2022 –$(2.1) million). Included in aggregate income tax expense in the year ended December 31, 2023 is current tax expense of $0.9 million (2022 - $0.7 million) and deferred tax expense (recovery) of $1.6 million (2022 –$(2.8) million).

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

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

In 2023, the deferred income tax expense of $1.6 million reduced the deferred income tax asset balance at December 31, 2023 to $nil (December 31, 2022 – $1.6 million) due to uncertainty regarding the recoverability or utilization of the deferred tax assets. The prior year deferred income tax assets resulted primarily from non-capital losses available for carry-forward to the extent they are supported by the expectation of future taxable profits, performance bonus expenses/recoveries which are not deductible for tax purposes until they are paid in future periods, the portion of the provision for credit losses that is not deductible in the current period for tax purposes, book values in excess of tax undepreciated capital cost pools relating to property and equipment, and book value in excess of tax cost base for the investment in Crown Partners Fund.

2022 vs 2021

Total revenue of $44.8 million in 2022 increased by $2.2 million over 2021 due primarily to the addition of distribution services revenue following the acquisition of Go Direct Global on June 24, 2022, partially offset by the reduction in interest revenue due to the derecognition of Crown Partners Fund as a subsidiary of Crown effective July 13, 2021.

For the year ended December 31, 2022, our share of (losses) earnings of Crown Partners Fund totaled $(4.7) million compared to earnings of $4.7 million in 2021 due primarily to the recognition of a larger provision for expected credit loss in the first quarter of 2022.

Total expenses in 2022 increased by $13.5 million from $38.0 million in 2021 to $51.5 million due primarily to the acquisition of Go Direct Global on June 24, 2022 and to a $3.3 million (2021 - $nil) impairment of distributed power equipment under development and related deposits.

For the year ended December 31, 2022, Crown recognized a net loss of $(7.5) million compared with net income of $2.0 million in the year ended December 31, 2021.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the Corporation as at December 31, 2023, December 31, 2022 and December 31, 2021:

AS AT DEC. 31[1] (THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2023	2022	2021	Change 2023 vs 2022	Change 2022 vs 2021
Assets					
Cash and cash equivalents	**$ 4,849**	$ 7,244	$ 10,842	$ (2,395)	$ (3,598)
Accounts receivable and other assets	**28,694**	22,140	9,178	6,554	12,962
Lease earn-out note receivable	**-**	-	4,603	-	(4,603)
Assets held for sale	**7,811**	-	-	7,811	-
Investments	**25**	2,101	4,351	(2,076)	(2,250)
Investment in Crown Partners Fund	**24,315**	34,557	47,369	(10,242)	(12,812)
Customer contracts	**6,364**	7,051	5,866	(687)	1,185
Property and equipment	**60,880**	35,219	14,279	25,661	20,940
Net investment in leased distributed power equipment	**4,812**	11,994	9,564	(7,182)	2,430
Property and equipment under development and related deposits	**38,904**	46,356	34,063	(7,452)	12,293
Total assets	**$ 176,654**	$ 166,662	$ 140,115	$ 9,992	$ 26,547
Liabilities					
Accounts payable and other liabilities	**$ 30,736**	$ 17,787	13,509	12,949	4,278
Mortgages payable	**11,900**	11,900	12,450	-	(550)
Network services vendor note payable	**-**	-	612	-	(612)
Lease obligations	**19,141**	20,305	1,926	(1,164)	18,379
Provision for performance bonus	**3,533**	3,109	4,597	424	(1,488)
Credit facilities	**26,688**	18,067	(334)	8,621	18,401
Debentures and convertible debentures - liability component	**19,760**	19,770	19,334	(10)	436
Subordinated debentures	**1,316**	-	-	1,316	-
Long-term debt	**2,364**	2,984	150	(620)	2,834
Non-controlling interests	**22,988**	22,070	18,796	918	3,274
Equity					
Share capital	**47,820**	48,281	60,693	(461)	(12,412)
Convertible debentures - equity component	**-**	483	483	(483)	-
Contributed surplus	**15,728**	15,184	15,180	544	4
Translation reserve	**97**	35	-	62	35
Deficit	**(25,417)**	(13,313)	(7,281)	(12,104)	(6,032)
Total equity	**38,228**	50,670	69,075	(12,442)	(18,405)
	$ 176,654	$ 166,662	$ 140,115	$ 9,992	$ 26,547
Total non-current financial liabilities[2]	**$ 32,298**	$ 43,290	$ 26,685	$(10,992)	$ 16,605
Total equity per share - basic	**$ 6.84**	$ 8.98	$ 9.74	$ (2.14)	$ (0.76)

1. The presentation of the summary balance sheet information shown above differs from the presentation in the Consolidated Statements of Financial Position in the Corporation's audited consolidated financial statements in that it aggregates certain assets and liabilities under the "accounts receivable and other assets" and "accounts payable and other liabilities" categories and is not presented on a classified basis. For additional information, please refer to *Part 4 - Capitalization and Liquidity* - Liquidity and to the Corporation's audited consolidated financial statements.

2. Total non-current financial liabilities is comprised of the provision for performance bonus, the non-current portion of lease obligations, the non-current portion of the network services vendor note payable, the non-current portion of the contingent consideration liability (included in accounts payable in other liabilities), the non-current portion of the Vendor Promissory Notes Payable (included in accounts payable and other liabilities), the non-current portion of deferred revenue (included in accounts payable and other liabilities), the non-current portion of long-term debt, the deferred compensation liability (included in accounts payable and other liabilities), and for 2023 the Subordinated debentures, and for each of 2022 and 2021, the Crown Credit Facility and for 2021, the non-current portion of debentures and convertible debentures - liability component (see *Part 4 - Capitalization and Liquidity*).

2023 vs 2022

Consolidated assets at December 31, 2023 were $176.7 million, an increase of $10.0 million since December 31, 2022. This increase was due primarily to increases in property and equipment and accounts receivable and other assets, partially offset by a reduction in the carrying value of Crown Partners Fund due primarily to distributions from the fund for proceeds received from the repayment and sale of certain of its investments, a reduction in net investment in leased distributed power equipment due to a reclassification of one project back to property and equipment and a reduction in property and equipment under development and related deposits.

Assets

Cash and cash equivalents of $4.8 million as at December 31, 2023 decreased by $2.4 million from the December 31, 2022 balance. For further information, refer to our audited consolidated financial statements of cash flows and to *Part 4 – Capitalization and Liquidity*.

Accounts receivable and other assets of $28.7 million as at December 31, 2023 (December 31, 2022 - $22.1 million) consists of accounts receivable, income taxes recoverable, prepaid expenses and deposits, inventory, goodwill and deferred income taxes. The largest component, accounts receivable, is comprised primarily of amounts receivable in relation to network services and distribution services contracts. Accounts receivable and other assets increased by $6.6 million primarily due to a $7.4 million increase in accounts receivable, mainly attributable to an $8.5 million receivable relating to a government subsidy in respect of the Ontario Connect Program and partially offset by a $1.6 million decrease in deferred income taxes.

Assets held for sale of $7.8 million (December 31, 2022 - $nil), comprised of $4.6 million reclassified from property and equipment and $3.2 million reclassified from property and equipment under development and related deposits, relates to distributed power equipment that management is actively engaged in selling and which are expected to be sold by the end of 2024.

The investments balance of $0.03 million as at December 31, 2023 is comprised of a single equity investment carried at fair value through profit or loss ("**FVTPL**"). As at December 31, 2022, investments of $2.1 million also included a loan to PenEquity Realty carried at amortized cost with an aggregate carrying value of $2.1 million, which was equal to its fair value, net of an allowance for credit losses of $15.7 million. In the year ended December 31, 2023, the carrying value of this loan reduced by $2.1 million to $nil due to the partial extinguishment of the amount owing by PenEquity Realty in connection with the acquisition of customer contracts from PenEquity Realty by Crown's subsidiary PenEquity Inc. As at December 31, 2023, this loan and the related allowance for credit losses of $15.7 million were written off, as management does not expect to collect the balance of the loan. As the net carrying value was $nil, there was no impact on the statement comprehensive income.

Investment in Crown Partners Fund represents the Corporation's effective interest of 28.0% in Crown Partners Fund, including both limited partnership and general partnership interests. The balance at December 31, 2023 of $24.3 million (December 31, 2022 - $34.6 million) includes $17.2 million in respect of the limited partnership interest and $7.1 million in respect of the general partner interest (December 31, 2022 - $28.4 million and $6.2 million, respectively). The decrease of $10.3 million in the year ended December 31, 2023 reflects distributions declared by the fund, which more than offset our share of earnings of Crown Partners Fund in the period.

The customer contracts balance of $6.4 million as at December 31, 2023 (December 31, 2022 – $7.1 million) is an intangible asset and is comprised of the following:

- Network services customer contracts of $2.6 million as at December 31, 2023 (December 31, 2022 - $3.5 million) that represent the fair value of service contracts assumed on the acquisitions of Galaxy and WireIE, net of subsequent amortization and impairment of $5.8 million and $1.1 million, respectively. Network services contracts are amortized on a straight-line basis over estimated useful lives ranging between 4-6 years;

- Credit reporting customer contracts of $0.5 million (December 31, 2022 – $0.7 million) represent the fair value of service contracts assumed on the acquisition of Lumbermens, net of subsequent amortization of $0.5 million, which are amortized on a straight-line basis over estimated useful lives ranging between 5-10 years;

- Distribution services customer contracts of $1.8 million (December 31, 2022 - $2.8 million) represent the fair value of service contracts assumed on the acquisition of Go Direct Global in June 2022, net of subsequent amortization of $1.6 million, which are amortized on a straight-line basis over estimated useful lives ranging from 3-5 years; and

- Real estate customer contracts of $1.5 million (December 31, 2022 – $nil) represent the fair value of service contracts acquired on January 1, 2023 and April 1, 2023, net of subsequent amortization of $0.6 million, which are amortized on a straight-line basis over estimated useful lives ranging between 3-4 years.

Property and equipment of $60.9 million as at December 31, 2023 (December 31, 2022 - $35.2 million) is comprised of:

- network services equipment, including right-of-use assets in relation to leased equipment and properties, of $3.8 million (December 31, 2022 - $5.3 million) that relate to Network Services businesses;

- network infrastructure of $12.3 million (December 31, 2022 - $nil) related to fibre optic development projects in Community Network Partners;

- distributed power equipment of $21.5 million (December 31, 2022 - $6.2 million) representing equipment deployed in merchant power generation operations; and

- premises and related equipment of $23.3 million (December 31, 2022 - $23.7 million), primarily comprised of $17.0 million of right of use assets in relation to the leased facilities of Go Direct Global located in Mississauga, Ontario, Calgary, Alberta, Columbus, Ohio and Reno, Nevada, $4.7 million of related equipment of Go Direct Global, and $0.7 million of right of use assets in respect of Galaxy's offices located in Mississauga, Ontario and Edmonton, Alberta.

Net investment in leased distributed power equipment represents power generation assets subject to contractual lease agreements. There are five such leases in effect as at December 31, 2023 (December 31, 2022 – six leases), which were transferred from property and equipment under development and related deposits. One lease was terminated during the year ended December 31, 2023, resulting in a reclassification of $8.1 million to property and equipment. The carrying balance of net investment in leased distributed power equipment at December 31, 2023 was $4.8 million (December 31, 2022 - $12.0 million).

Property and equipment under development and related deposits of $38.9 million as at December 31, 2023 (December 31, 2022 - $46.4 million) consists of (i) $4.0 million of power generation assets in relation to projects under development; (ii) $7.9 million of network services equipment under development comprised primarily of fibre optic network developments in Northern Ontario, for which we expect a material proportion of the cost will be recouped via subsidies in respect of the Ontario Connects Program; (iii) property under development of $18.5 million comprising the carrying value of property owned by PBC that is located in Barrie, Ontario and has been rezoned for residential development; and (iv) property under development of $8.5 million comprising the carrying value of property owned by PSCC that is located in Stoney Creek, Ontario. The balance decreased by $7.5 million compared to December 31, 2022 due to a transfer of network infrastructure to property and equipment of $12.6 million, a reclassification of distributed power equipment under development of $17.3 million to property and equipment, a net reclassification of $3.2 million to assets held for sale and an impairment of $0.9 million, partially offset by additions to distributed power equipment under development and related deposits of $8.9 million, additions to real estate property under development of $2.4 million, and additions to network equipment under development of $15.3 million. Gross additions in the period included capitalized interest and fees of $2.8 million (2022 - $1.8 million).

Liabilities

Accounts payable and other liabilities of $30.7 million (December 31, 2022 - $17.8 million) include accounts payable and accrued liabilities of $17.3 million, deferred revenue of $10.0 million, a deferred compensation liability of $1.3 million, a contingent consideration liability of $1.0 million, income taxes payable of $0.6 million and a factor facility of $0.5 million. The balance increased by $12.9 million in the year ended December 31, 2023 due primarily to an increase in accounts payable and accrued liabilities and an increase in deferred revenue relating to a subsidy receivable in respect of the Ontario Connects Program.

Effective May 27, 2022, Crown entered into an agreement for a non-amortizing mortgage payable of $11.9 million that is secured by the value of property under development, had a maturity date of January 1, 2024, and bears interest based on Prime Rate plus 570 bps (with a floor of 8.4%) per annum. During the year ended December 31, 2023, the mortgage was extended with a new maturity date of July 1, 2024 and an interest rate increase to 18.0% per annum starting June 1, 2024.

Lease obligations of $19.1 million at December 31, 2023 (December 31, 2022 - $20.3 million) are comprised of $18.3 million in respect of lease obligations of Go Direct Global and $0.8 million of lease obligations in relation to network services equipment and properties of Galaxy and WireIE Inc., including the usage of third-party tower space through network co-location arrangements. Lease obligations outstanding largely correspond with right-of-use lease assets included in property, office equipment and network services equipment.

The provision for performance bonus of $3.5 million at December 31, 2023 (December 31, 2022 - $3.1 million) reflects 50% of the performance fee accrued by Crown, as a component of investment in Crown Partners Fund as the value attributable to its general partnership interest in Crown Partners Fund, which is the portion that will be payable to certain individuals, primarily employees and ex-employees, commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners of Crown Partners Fund. To date, no amounts have been accrued in relation to either the performance fee or the corresponding provision for performance bonus in respect of Crown Power Fund.

Credit facilities of $26.7 million as at December 31, 2023 (December 31, 2022 – $18.1 million) were comprised of $27.4 million outstanding under Crown's senior secured corporate credit facility (the "**Crown Credit Facility**"), net of deferred finance costs in relation to the Crown Credit Facility of $0.7 million.

Subordinated debentures of $1.3 million as at December 31, 2023 (December 31, 2022 - $nil) were issued as part of the non-brokered private placement offering completed on December 29, 2023.

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

Long-term debt of $2.4 million as at December 31, 2023 (December 31, 2022 - $3.0 million) primarily represents debt payable by Go Direct SCS that is carried at estimated fair value, determined as the net present value of the estimated cash flows of Go Direct SCS available to service this debt. Any change in the fair value of this long-term debt resulting from a change in estimates will be recognized as a gain/(loss) on remeasurement of financial instruments. In the year ended December 31, 2023, a gain of $0.6 million was recorded as a remeasurement of financial instruments due to a revised estimate of the fair value of long-term debt. Crown does not accrue interest expense in relation to this long-term debt.

Non-controlling Interests

Non-controlling interests in our consolidated results consist of third-party interests in Crown Power Fund and, starting January 1, 2023, PenEquity Inc. and, starting August 3, 2023, LESC and Wilson Creek Energy. Non-controlling interests increased by $0.9 million from $22.1 million as at December 31, 2022 to $23.0 million as at December 31, 2023 due to contributions from non-controlling interests of $3.8 million partially offset by net loss attributable to non-controlling interests of $2.9 million.

2022 vs 2021

Consolidated assets at December 31, 2022 increased by $26.5 million to $166.7 million over the prior year due primarily to the acquisition of Go Direct Global on June 24, 2022 and to increases in property and equipment and property and equipment under development and related deposits, partially offset by a reduction in the carrying value of Crown Partners Fund due to a combination of distributions and losses in relation to that fund in the period and to a reduction in the lease earn out note receivable resulting from a repayment in full.

Consolidated liabilities at December 31, 2022 were $116.0 million, an increase of $45.0 million since December 31, 2021 due primarily to the acquisition of Go Direct Global on June 24, 2022 and to an increase in the amount advanced in respect of the Preceding Crown Credit Facility.

Equity

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

AS AT AND FOR THE YEARS ENDED DEC. 31 (THOUSANDS)	**2023**	2022
Equity, beginning of year	**$ 50,670**	$ 69,075
Changes in year:		
Net (loss) income attributable to Shareholders	**(12,152)**	(7,475)
Other comprehensive income for the period	**62**	35
Shares repurchased	**(413)**	(10,969)
Share-based compensation	**-**	4
Issuance of warrants	**61**	-
	(12,442)	(18,405)
Equity, end of year	**$ 38,228**	$ 50,670

Total equity decreased by $12.4 million in the year ended December 31, 2023 primarily due to a net loss attributable to Shareholders of $12.2 million.

In the year ended December 31, 2023, the Corporation purchased and subsequently cancelled a total of 53,900 Common Shares pursuant to its normal course issuer bid ("**NCIB**") for aggregate consideration of $0.4 million (December 31, 2022 – 1,450,556 Common Shares pursuant to an NCIB and to a substantial issuer bid for total consideration of $11.0 million).

SUMMARY OF QUARTERLY RESULTS

A range of factors impact variance in quarterly results. Factors impacting network services revenue include the acquisition of Network Services businesses and the growth of such businesses, including the impact of new projects and of net customer additions or losses. Factors impacting distribution services revenue include the addition of new operating facilities and changes in capacity utilization and customer activity levels. Factors impacting fees and other income earned by our Real Estate segment include the timing of development management and leasing fees and changes in the number of property management contracts. Factors impacting our share of earnings (losses) of Crown Partners Fund include the timing of loan repayments and investment realizations and factors affecting net gains (losses) on investments, including both realized and unrealized gains (losses), such as changes in the fair value of investments carried at FVTPL and changes in the allowance for credit loss caused by variations in the credit status of loan investments carried at amortized cost. Other notable causes of variance in quarterly results include contributions from acquired companies and assets, changes in the level of operating expenses incurred and changes in finance costs caused mainly by fluctuating levels of outstanding debt and interest rates and the timing and extent of asset impairment charges, if any. Changes in Crown's percentage ownership interest in a fund due to additional subscriptions from Crown and/or additional subscriptions or redemptions from non-controlling interests impact net (loss) income attributable to Shareholders.

The following table provides selected quarterly information about the Corporation's financial condition and performance for the most recent eight quarters.

FOR THE PERIODS ENDED (THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue:								
Distribution services revenue	**$ 8,223**	$ 8,915	$ 8,882	$ 8,357	$ 6,528	$ 6,971	$ 572	$ -
Network services revenue	**5,399**	7,843	6,414	7,273	6,614	7,522	6,387	6,739
Fees and other income	**1,818**	1,749	1,416	883	424	428	606	451
Distributed power interest revenue	**280**	686	624	542	503	409	362	319
Merchant power revenue	**180**	67	-	-	-	-	-	-
Net gain (loss) on investments	**-**	-	-	-	-	-	302	(300)
Total revenue	**15,900**	19,260	17,336	17,055	14,069	15,330	8,229	7,209
Share of earnings (losses) of Crown Partners Fund	**483**	210	940	1,350	$ (680)	$ 136	334	(4,446)
Net (loss) income attributable to Shareholders	**(8,478)**	(1,807)	(1,155)	(712)	(3,265)	(2,122)	462	(2,550)
Comprehensive (loss) income attributable to Shareholders	**(8,386)**	(1,871)	(1,121)	(712)	(3,265)	(2,087)	462	(2,550)
Total assets	**176,654**	179,002	173,872	172,763	166,662	157,152	153,154	130,260
Total equity	**38,228**	46,553	48,594	49,943	50,670	53,934	56,020	55,557
Per share:								
- Net (loss) income to Shareholders - diluted	**$ (1.52)**	$ (0.32)	$ (0.21)	$ (0.13)	$ (0.58)	$ (0.38)	$ 0.08	$ (0.38)
- Net (loss) income to Shareholders - basic	**(1.52)**	(0.32)	(0.21)	(0.13)	(0.58)	(0.38)	0.08	(0.38)
- Total equity per share - basic	**6.84**	8.33	8.66	8.85	8.98	9.56	9.93	9.85

Review of Q4 2023 Results

In the fourth quarter of 2023, the net loss attributable to Shareholders was $(8.5) million compared with $(1.8) million in Q3 2023 and $(3.3) million in Q4 2022. Key factors that influenced our Q4 2023 results include the following:

- We recognized a net loss before income taxes in respect of the Network Services segment of $(0.7 million), inclusive of depreciation and amortization expense totaling $1.3 million. Seasonality in respect of certain parts of the Network Services business contributed to lower Network Services revenue in Q4 2023. Network services revenue in Q4 2023 decreased by 15.7% year-over-year and by 28.9% compared to Q3 2023, with the quarter-over-quarter decrease due primarily to unusually high revenue related to hardware sales and installation completed in the previous quarter. Compared with the prior year period, declines in revenues from each of WireIE, which is experiencing a net cancelation of customer contracts, and Galaxy, for which a large construction-sector contract concluded in mid-Q2 2023.

- We recognized a net loss before income taxes in respect of the Distribution Services segment of $(1.2) million, inclusive of depreciation and amortization expense totaling $1.5 million. Most of this net loss is related to the operating facilities of Go Direct Global that are in various stages of achieving scale. Distribution services revenue decreased by 8% quarter-over-quarter due to non-recurring kitting revenues in the previous quarter and the termination of a large customer contract and increased by 26% compared with Q4 2022 due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and 2023. The year-over-year decrease in expenses of the segment in Q4 2023 related primarily to improvements in operations achieved during 2023.

- Our share of earnings of Crown Partners Fund was $0.5 million, a quarter-over-quarter increase compared with earnings of $0.2 million in Q3 2023 and a year-over-year increase compared with a loss of $(0.7) million in Q4 2022, with both improvements primarily due to an increase in the estimated fair value of certain equity securities of Crown Partners Fund in Q4 2023.

- We recognized a net loss before income taxes in respect of the Distributed Power segment of $(2.7) million, inclusive of aggregate impairment charges of $6.1 million recorded in respect of distributed power equipment and equipment under development.

- We recognized a $2.8 million deferred tax expense in respect of a write-down of deferred tax assets to $nil.

RELATED PARTY TRANSACTIONS

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

On consolidation, 100% of management fees earned from Crown Power Fund are eliminated against the management fees expensed by this fund. The non-controlling interests of Crown Power Fund incur approximately 56.8% of the management fees while Crown effectively pays itself for the remaining 43.2% as a result of its ownership interest.

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

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

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

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

The private placement offering of units comprised of 10% redeemable secured subordinated debentures and common share purchase warrants completed on December 29, 2023 for gross proceeds of $1.47 million was fully subscribed by directors of the Corporation.

PART 3 – REVIEW OF OPERATIONS

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

For a discussion of revenues by type, refer to *Part 2 – Review of Consolidated Financial Results*. For more information regarding the performance of our reportable segments, refer to *Note 26 – Segment information* in our audited consolidated financial statements.

NETWORK SERVICES

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

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

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

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

	Network Services Segment		
AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	**2023**	**2022**	**Change**
Assets	**$ 45,063**	$ 23,849	$ 21,214
Less: Liabilities	**20,119**	8,199	11,920
Net assets	**24,944**	15,650	9,294
Revenues	**26,929**	27,262	(333)
Cost of network services revenue	**15,750**	13,789	1,961
Depreciation	**3,503**	3,876	(373)
Finance costs	**120**	175	(55)
(Loss) income before income taxes	**(610)**	3,084	(3,694)

Compared with December 31, 2022, the total assets of the network services segment as at December 31, 2023 increased by $21.2 million, due primarily to $14.4 million of incremental investments in the fibre optic development projects of Community Network Partners and $8.5 million related to a government subsidy receivable in respect of the Ontario Connects Program, partially offset by reductions in other segment assets.

Outlook

On May 9, 2022, we announced that Community Network Partners had been selected as an Internet Service Provider under the Ontario Connects Program. The aim of the program is to make reliable, high-speed internet connectivity available to every region in Ontario by the end of 2025. The maximum subsidy available to Community Network Partners under this program is approximately $150 million, which is expected to be a material proportion of the network cost. We plan to construct this network by connecting a series of separately identified regions ("**sublots**"). Construction and testing of the first sublot was completed in Q4 2023, and the second sublot is expected to be completed in Q2 2024.

On February 2, 2023, we announced that Galaxy had entered into a five-year purchase commitment for the use of broadband network infrastructure with OneWeb to deliver low Earth orbit ("**LEO**") connectivity solutions across Canada. Galaxy has an aggregate commitment with respect to its purchase of LEO connectivity solutions of $67.5 million, based on a $49.8 million U.S. dollar-denominated purchase commitment over five years. To date, the commercialization of this LEO connectivity solution as a complement to the geostatic satellite solutions traditionally offered by Galaxy has lagged our original expectations, contributing to the year-over-year decline in segment earnings and to our expectation of constrained near-term growth in the revenues and earnings of Galaxy.

On July 17, 2023, we announced that Community Network Partners has entered into a partnership with YTN Telecom Network Inc. ("**YorkNet**") to finance, construct and operate an advanced optical fibre network to provide high-speed internet in The Regional Municipality of York. Community Network Partners has committed to invest $15 million over a four-year period in respect of this partnership and expects to achieve an addressable market of approximately 14,000 customers.

DISTRIBUTION SERVICES

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

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

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

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

AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	Distribution Services Segment		
	2023	**2022**	**Change**
Assets	**$ 33,103**	$ 32,867	$ 236
Less: Liabilities	**26,154**	27,941	(1,787)
Net assets	**6,949**	4,926	2,023
Revenues	**34,396**	14,071	20,325
Cost of distribution services revenue	**23,369**	10,041	13,328
Depreciation	**5,573**	1,918	3,655
Finance costs	**1,586**	567	1,019
Loss before income taxes	**(3,640)**	(1,947)	(1,693)

Outlook

We anticipate that Go Direct Global will experience revenue and earnings growth in the near term due to both increased capacity utilization of its Columbus, Ohio facility and from the ramp up of operations at both its facility in Reno, Nevada, which commenced commercial operations in the fourth quarter of fiscal 2022, and a second facility in Calgary, Alberta, which commenced commercial operations in the fourth quarter of fiscal 2023. Our first facility in Calgary, Alberta, which commenced commercial operations in the third quarter of fiscal 2022, is currently operating at full capacity.

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

SPECIALTY FINANCE

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

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

AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS, UNLESS OTHERWISE NOTED)	Specialty Finance Segment		
	2023	**2022**	**Change**
Assets	**$ 24,339**	$ 36,658	$ (12,319)
Less: Liabilities	**3,533**	3,109	424
Net assets	**20,806**	33,549	(12,743)
Revenues	**-**	2	(2)
Share of earnings (losses) of Crown Partners Fund	**2,983**	(4,656)	7,639
Income (loss) before income taxes	**2,559**	(3,166)	5,725
Additional information pertaining to Crown Partners Fund:			
Net assets attributable to limited partners - carrying value[1]	**62,275**	101,542	(39,267)
Net assets attributable to limited partners - fair value[2]	**62,275**	102,806	(40,531)
Net assets attributable to general partner - carrying value and fair value[3]	**7,065**	6,219	846
Crown's share of earnings (losses) attributable to limited partners	**2,137**	(1,681)	3,818
Crown's share of earnings (losses) attributable to the general partner	**846**	(2,975)	3,821
Crown's effective limited partnership interest	**28.0%**	28.0%	-

1. Represents the total carrying value of net assets as reported by Crown Partners Fund in accordance with IFRS.
2. Represents the total fair value of net assets attributable to limited partners as determined by its investment manager.
3. Fair value is equal to carrying value, which is determined based upon the fair value of net assets attributable to limited partners.

In the year ended December 31, 2023, Crown Partners Fund received aggregate proceeds of $37.7 million in respect of loan repayments and $4.5 million from the sale of equity investments, both of which were applied towards distribution payments to limited partners. Primarily as a result of these capital return distributions, which were partially offset by net income, the carrying value of net assets attributable to limited partners of Crown Partners Fund declined by $39.3 million in the year ended December 31, 2023. For more information regarding our investment in Crown Partners Fund, refer to *Note 7 – Investment in Crown Partners Fund* in our audited consolidated financial statements.

Revenues of the Specialty Finance segment in the year ended December 31, 2023 were $nil (2022 - $0.002 million). Share of earnings (losses) of Crown Partners Fund in the year ended December 31, 2023 totaled $3.0 million (2022 – $(4.7) million).

Outlook

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

We do not plan to make any new loan investments.

DISTRIBUTED POWER

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

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

Crown also holds partial interests, both directly and through Crown Power Fund, in multiple operating partners of Crown Power Fund ("**Operating Partners**"). Operating Partners are entities engaged exclusively in sourcing, designing, constructing and operating distributed power projects on behalf of Crown Power Fund. The arrangements with each Operating Partner involve the granting of ownership interests in the Operating Partner to each of Crown and Crown Power Fund for nominal consideration.

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

	Distributed Power Segment		
AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	**2023**	**2022**	**Change**
Assets…	**$ 40,492**	$ 37,810	$ 2,682
Less: Liabilities excl. non-controlling interests…	**281**	69	212
Less: Non-controlling interests…	**23,030**	22,070	960
Net assets…	**17,181**	15,671	1,510
Revenues…	**2,400**	1,623	777
Depreciation…	**278**	4	274
Finance costs…	**-**	203	(203)
Loss before income taxes…	**(1,978)**	(1,021)	(957)

As at December 31, 2023, Crown Power Fund's aggregate equipment-related investment was carried at $38.1 million (December 31, 2022 - $34.7 million) including amounts invested in distributed power equipment under development and related deposits ($4.0 million), distributed power equipment ($21.5 million, included in property and equipment) and net investment in leased distributed power equipment ($4.8 million) and distributed power equipment assets held for sale ($7.8 million). In the year ended December 31, 2023, Crown Power Fund recorded a $5.2 million (2022 - $0.4 million) impairment charge in respect of revaluations of certain distributed power equipment prior to reclassification to assets held for sale. In the year ended December 31, 2023, Crown Power Fund also recorded a $0.9 million (2022 - $3.3 million) impairment charge in respect of distributed power equipment under development and related deposits relating to revised estimates of the economics associated with two projects under development prior to reclassification to assets held for sale.

During the year ended December 31, 2023, the following movements occurred between the asset categories:

- $17.3 million was reclassified from property and equipment under development and related deposits to property and equipment related to the commencement of commercial operations of the Wilson Creek merchant power project;
- $3.2 million was reclassified from property and equipment under development and related deposits to assets held for sale after an impairment of $0.9 million was recorded;
- $8.1 million related to one distributed power project was reclassified from net investment in leased distributed power equipment to property and equipment when the related lease arrangement was terminated and was subsequently reclassified to assets held for sale after an impairment of $4.6 million was recorded; and
- $1.1 million was reclassified from property and equipment to assets held for sale after an impairment of $0.6 million was recorded.

As at December 31, 2023, a total of seven distributed power projects with an aggregate carrying value of $26.3 million owned by Crown Power Fund are operational, of which five projects with an aggregate carrying value of $4.8 million are included in net investment in leased distributed power equipment and two projects with a carrying value of $21.5 million, primarily representing the value of the Wilson Creek project, are included in property and equipment.

During Q3 2023, Crown Power Fund's Wilson Creek merchant power project in Alberta commenced commercial operations. In connection with this development, the ownership structures of LESC and Wilson Creek Energy, collectively operating as our Operating Partner in respect of this project, were restructured to increase Crown Power Fund's ownership interest. Specifically, effective August 3, 2023, Crown Power Fund increased its ownership interest from 33% to 80%, while the Corporation and the management of LESC decreased their respective interests from 33% each to 10% each. As at the date of this restructuring transaction, each of LESC and Wilson Creek Energy had nominal value. Revenues from merchant power in the year ended December 31, 2023 were $0.2 million (2022 - $nil).

In addition to existing projects under lease or otherwise in operation, Crown Power Fund has four additional projects under development at various stages of completion of which three are expected to become operational in first half of 2024 and one is expected to come online in Q3 2024. The completion of certain projects has been delayed for various reasons, including delays in achieving utility interconnection and commissioning.

Outlook

We remain focused on advancing existing projects through to completion and we intend to begin seeking liquidity for certain of the segment's assets classified as assets held for sale. We anticipate that Crown Power Fund's recently commissioned Wilson Creek project will generate a higher level of profitability in the near term as it progresses beyond the start-up phase, with both the level and pricing of power produced dependent primarily upon prevailing Alberta power prices.

REAL ESTATE

Crown participates in the real estate development market through its ownership of PSCC and PBC, which were both acquired from PenEquity Realty. The assets of PSCC primarily include land adjacent to a grocery-anchored community retail plaza located in Stoney Creek, Ontario. The assets of PBC are primarily comprised of land adjacent to a retail plaza in Barrie, Ontario that has been rezoned for residential development.

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

Effective April 1, 2023, PenEquity Inc. entered into a management services agreement with PenEquity Realty through which it has agreed to provide all services on behalf of PenEquity Realty in respect of a single property development contract in exchange for receiving all fees earned by PenEquity Realty in respect of the same contract. Through this agreement, the prospective economics of this property development contract were effectively transferred to PenEquity Inc. in exchange for consideration of $1.1 million comprised of the partial settlement of a loan outstanding from Crown to PenEquity Realty.

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

	Real Estate Segment		
AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	**2023**	**2022**	**Change**
Assets…	**$ 30,476**	$ 27,535	$ 2,941
Less: Liabilities excl. non-controlling interests…	**13,099**	12,478	621
Less: Non-controlling interests…	**(42)**	-	(42)
Net assets…	**17,419**	15,057	2,362
Revenues…	**4,016**	-	4,016
Depreciation…	**580**	-	580
Income before income taxes…	**207**	144	63

This segment did not recognize any revenues or expenses from operations in the year ended December 31, 2023 in respect of its real estate properties under development. Effective January 1, 2023, PenEquity Inc. began to recognize property management revenue in respect of the customer contracts acquired from PenEquity Realty. Costs related to the establishment of the operations of PenEquity Inc. as well as $0.6 million of amortization in respect of customer contracts contributed to the income before income taxes of $0.2 million recognized in the year ended December 31, 2023.

Outlook

In June 2023, the City of Barrie approved a rezoning of PBC's property located in Barrie, Ontario to permit the construction of a project comprised of three mid-rise multi-residential buildings. We are currently exploring a sale of this property. In the event that a sale is not completed, Crown will consider developing this property using the development team of its subsidiary, PenEquity Inc.

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

From PenEquity Inc., we anticipate an improved earnings contribution in fiscal 2024 due to both modest revenue growth in relation to its property management activities and an increase in property development revenues in relation to existing contracts.

CORPORATE AND OTHER

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

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

AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	Corporate and Other Segment		
	2023	**2022**	**Change**
Assets	**$ 3,181**	$ 7,943	$ (4,762)
Less: Liabilities	**52,252**	42,126	10,126
Net liabilities	**(49,071)**	(34,183)	(14,888)
Revenues	**1,810**	1,879	(69)
Depreciation	**299**	377	(78)
Finance costs	**4,883**	2,690	2,193
Loss before income taxes	**(6,242)**	(6,682)	440

Excluding finance costs, other expenses of the corporate and other segment in 2023 were $1.3 million lower than in 2022 as a result of a continuing focus on expense reduction.

PART 4 – CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

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

Corporate Capitalization[1] – reflects our issued and outstanding Subordinated Debentures, Debentures and Convertible Debentures and Common Shares and the amount of debt issued by the Corporation excluding amounts in relation to its subsidiaries Crown Power Fund, Galaxy, WireIE Inc., Community Network Partners, PSCC, PBC, Lumbermens, Go Direct Global and PenEquity Inc. Corporate debt includes amounts drawn upon the Crown Credit Facility, net of the unamortized balance of related deferred finance costs. At December 31, 2023, our corporate capitalization was $93.5 million (December 31, 2022 - $95.4 million).

Consolidated Capitalization – reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements and is equal to total liabilities plus total equity in our consolidated statements of financial position. At December 31, 2023, consolidated capitalization increased compared with December 31, 2022 due primarily to an increase in corporate borrowings and accounts payable and other liabilities. At December 31, 2023, our consolidated capitalization was $176.7 million (December 31, 2022 - $166.7 million).

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

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

AS AT DEC. 31, 2023 AND DEC. 31, 2022 (THOUSANDS)	Ref.	Corporate Capitalization[1] 2023	Corporate Capitalization[1] 2022	Consolidated Capitalization 2023	Consolidated Capitalization 2022	Our Share of Capitalization[1] 2023	Our Share of Capitalization[1] 2022
Corporate borrowings	i	**$ 26,688**	$ 18,067	**$ 26,688**	$ 18,067	**$ 26,688**	$ 18,067
Accounts payable and other liabilities		**7,500**	6,816	**34,269**	20,896	**33,731**	20,859
Lease obligations		**-**	57	**19,141**	20,305	**19,141**	20,305
Mortgages payable		**-**	-	**11,900**	11,900	**11,900**	11,900
Long-term debt		**-**	-	**2,364**	2,984	**2,364**	2,984
Subordinated debentures	iii	**1,316**	-	**1,316**	-	**1,316**	-
Debentures and convertible debentures							
- liability component	ii	**19,760**	19,770	**19,760**	19,770	**19,760**	19,770
Non-controlling interests		**-**	-	**22,988**	22,070	**-**	-
Equity							
Share capital		**47,820**	48,281	**47,820**	48,281	**47,820**	48,281
Convertible debentures - equity component	ii	**-**	483	**-**	483	**-**	483
Contributed surplus		**15,728**	15,184	**15,728**	15,184	**15,728**	15,184
Translation reserve		**97**	35	**97**	35	**97**	35
Deficit		**(25,417)**	(13,313)	**(25,417)**	(13,313)	**(25,417)**	(13,313)
Total equity	iv	**38,228**	50,670	**38,228**	50,670	**38,228**	50,670
Total capitalization		**$ 93,492**	$ 95,381	**$ 176,654**	$ 166,662	**$ 153,129**	$ 144,555

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

i. Corporate Credit Facility

Prior to February 7, 2023, the Corporation had a senior secured corporate credit facility (the "**Preceding Crown Credit Facility**") that was comprised of a $20.0 million revolving credit facility to be used to fund the Corporation's capital commitments to existing investments, including its uncalled capital commitments to each of Crown Partners Fund and Crown Power Fund, potential acquisitions and for general corporate purposes, in addition to a $3.5 million dedicated-purpose letter of credit facility. The revolving facility provided financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, had a customary set of covenants, and had a maturity date of May 7, 2024, which was subject to annual extension by one or more years at the request of the Corporation.

Effective February 7, 2023, Crown entered into the Crown Credit Facility with CWB with an aggregate commitment of up to $43.5 million to be used to fund a full repayment and cancellation of lender commitments in respect of the Preceding Crown Credit Facility, support working capital and growth capital requirements of Crown and its operating businesses, and to fund Crown's remaining capital commitment in respect of Crown Power Fund. The Crown Credit Facility originally included an amortizing term loan of up to $30.0 million with a maturity date of February 7, 2028, an operating loan of up to $10.0 million with availability subject to margin condition restrictions, and a letter of credit facility of up to $3.5 million. The term loan was comprised of an initial advance of $25.0 million plus $5.0 million available to be advanced upon request by Crown prior to June 30, 2023. Crown did not request the advance of this additional $5.0 million 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 500 bps and 200 bps to 500 bps, respectively, and feature a customary set of covenants. We provide additional detail regarding our credit facilities in *Note 16 – Credit facilities* of the audited consolidated financial statements.

The Crown Credit Facility is subject to covenant clauses, whereby Crown is required to meet certain key financial ratios. Since September 30, 2023, Crown has not fulfilled the Net Total Debt to Trailing Twelve Month Earnings Before Interest, Taxes, Depreciation, and Amortization and Fixed Charge Coverage financial ratio requirements of the Crown Credit Facility. Accordingly, CWB is contractually entitled to request immediate repayment of the outstanding loan amount of $27.4 million. The outstanding balance is presented as a current liability as at December 31, 2023. CWB had not requested early repayment of the loan as of the date of when the Crown's audited consolidated financial statements for the year ended December 31, 2023 and 2022 were approved by the Corporation's Board of Directors.

On December 29, 2023, the Crown Credit Facility was amended to reduce the operating loan limit to $5.0 million, to provide additional security in support of the loan, and to provide access to $2.1 million on the operating loan on a non-margined basis until February 29, 2024.

As of December 31, 2023, $27.4 million was outstanding on the Crown Credit Facility (December 31, 2022 - $18.3 million was outstanding on the Preceding Crown Credit Facility), and letters of credit totaling $0.3 million (December 31, 2022 - $3.2 million) were issued and outstanding. As at December 31, 2023, there was an undrawn balance of $2.1 million in respect of the operating loan component of the Crown Credit Facility, of which $2.1 million was available to the Corporation based upon margin condition restrictions. The carrying value of the Crown Credit Facility at December 31, 2023 of $26.7 million was comprised of gross advances of $27.4 million net of unamortized deferred financing costs of $0.7 million.

ii. Debentures and Convertible Debentures

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

Effective June 30, 2023, as approved by the Debentureholders, 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; (ii) amend the interest rate on the Convertible Debentures from 6% to 10%; (iii) remove the conversion rights of the Debentureholders; and (iv) remove the right of the Corporation to repay the principal amount of the Convertible Debentures in Common Shares on the new maturity date or any redemption date. Effective June 30, 2023, the Convertible Debentures have been reclassified as debentures (the "**Debentures**").

The Debentures are direct, unsecured obligations of the Corporation that are subordinated to the Credit Facility.

We provide additional detail regarding the Debentures and Convertible Debentures in *Note 17 – Debentures and Convertible Debentures* of the audited consolidated financial statements.

iii. Subordinated Debentures

On December 29, 2023, the Corporation issued 1,500 units at a price of $980 per unit for net proceeds of $1.47 million. Each of these units was comprised of 10.0% redeemable secured subordinated debentures with a face value of $1,000 per unit and a maturity date of June 30, 2025 (the "**Subordinated Debentures**") plus 50 common share purchase warrants with an exercise price of $7.00 per Common Share and a three-year exercise period. This issuance was fully subscribed by directors of the Corporation.

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

iv. Equity

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

Issued and Outstanding Shares

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

AS AT AND FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	**2023**	2022
Outstanding at beginning of period	**5,642**	7,093
Repurchases	**(54)**	(1,451)
Outstanding at end of period	**5,588**	5,642
Total diluted shares at end of period	**5,588**	5,642

On January 24, 2022, the Corporation announced a substantial issuer bid ("**SIB**"), pursuant to which the Corporation offered to purchase for cancellation up to 1,330,000 of its outstanding Common Shares at a purchase price of $7.50 per Common Share in cash for an aggregate purchase price not to exceed $10.0 million. On March 8, 2022, the Corporation purchased and subsequently cancelled 1,330,000 Common Shares pursuant to the SIB for total consideration of $10.0 million, excluding fees and expenses related to the SIB totaling $0.1 million.

Effective April 13, 2022, the Corporation renewed its normal course issuer bid ("**NCIB**") to purchase for cancellation during the next 12 months up to 280,000 Common Shares, representing approximately 5.0% of the issued and outstanding Common Shares at March 31, 2022. The total number of shares purchased and cancelled under this NCIB was 5,000 at an average cost, excluding commissions, of $7.83 per Common Share.

Effective April 13, 2023, the Corporation renewed its NCIB to purchase for cancellation during the next 12 months up to 280,000 Common Shares, representing approximately 5.0% of the issued and outstanding Common Shares at

March 31, 2023. The total number of shares purchased and cancelled under this NCIB up to December 31, 2023 was 48,900 at an average cost, excluding commissions, of $7.70 per Common Share.

In the year ended December 31, 2023, a total of 53,900 Common Shares were purchased and cancelled (December 31, 2022 – 1,450,556 Common Shares).

The total number of Common Shares outstanding at December 31, 2023 was 5,588,646 (December 31, 2022 – 5,642,546; March 25, 2024 – 5,588,646).

LIQUIDITY

Liquidity and Capital Resources

The Corporation defines working capital as total current assets less total current liabilities. As at December 31, 2023, the Corporation had negative working capital of $(42.0) million compared with $(22.5) million as at December 31, 2022. The decline compared with December 31, 2022 is primarily due to the reclassification of the full balance of the Crown Credit Facility as a current liability as well as to an overall increase in accounts payable and accrued liabilities, which were partially offset by increases in both accounts receivable and assets held for sale.

As at December 31, 2023, there was an undrawn balance of $2.1 million in respect of the operating loan component of the Crown Credit Facility, for which the maximum limit was reduced from $10.0 million to $5.0 million effective December 29, 2023 in connection with an amendment to the Crown Credit Facility. This same amendment provided Crown with access to $2.1 million of operating loan availability on a non-margined basis (i.e., in addition to amounts available based upon margin restrictions) until February 29, 2024. The $2.1 million of non-margined availability comprises the undrawn balance in respect of the Crown Credit Facility as at December 31, 2023. As at March 25, 2024, $5.0 million is available to Crown on its operating loan based upon margin restriction conditions, of which $nil has been drawn and $5.0 million remains available for advance.

Since September 30, 2023, Crown has not satisfied certain financial covenant clauses of the Crown Credit Facility and, accordingly, CWB is contractually entitled to request immediate repayment of the outstanding loan in the amount of $27.4 million. The outstanding balance is presented as a current liability as at December 31, 2023. CWB had not requested early repayment of the loan as of the date at which Crown's audited consolidated financial statements for the year ended December 31, 2023 and 2022 were approved by our Board of Directors.

Negative working capital of $(42.0) million and non-compliance with financial covenant clauses of the Crown Credit Facility as at December 31, 2023 result in a material uncertainty that may cast significant doubt as to the ability of the Corporation to continue as a going concern.

Based on the Corporation's liquidity position as at the date of the audited consolidated financial statements, management has forecasted its cash flow requirements, considering the Corporation's working capital and cash balance at December 31, 2023, and estimates that it will need to seek financing arrangements that provide appropriate capacity and covenants matched to the Corporation's anticipated financial performance and operations to meet its financial obligations. The Corporation is currently in discussions with lenders regarding replacing or extending its current credit facility and there are multiple financing options being considered. The Corporation is targeting completion of these new arrangements within the next twelve months; however, there is no assurance that such arrangements will become available. The continuity of the Corporation as a going concern is dependent on its ability to achieve and maintain positive cash flow from operations, to maintain or obtain additional debt or equity financing and/or to realize proceeds from the disposition of assets.

The Corporation believes that, through its action plan above and in working with its banking partners and potential lenders, it will be able to obtain long-term credit arrangements that provide appropriate capacity and covenants matched to the Corporation's anticipated financial performance and operations. The Corporation believes that its cash position and capacity under its existing credit facilities, and the long-term credit arrangements it expects to secure together with anticipated future cash flows and access to capital markets will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other needs for the foreseeable future.

Upon its maturity on July 1, 2024, we expect to be able to extend the term of the $11.9 million mortgage payable by an additional six months, supported by the value of the mortgaged real estate properties.

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

Off-Balance Sheet Arrangements and Unfunded Commitments

Uncalled Commitments to Managed Investment Funds

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

	2023			2022
AS AT DEC. 31 (THOUSANDS, EXCEPT UNITS)	Units Subscribed by CCFC	Capital Commitment	Uncalled Capital Commitment	Uncalled Capital Commitment
Crown Partners Fund…	76,869	$ 61,495	$ 15,374	$ 15,374
CCF IV Investment LP…	3,270	2,600	654	654
Crown Power Fund…	25,000	21,581	-	2,891
Total…			$ 16,028	$ 18,919

The investment period of each of Crown Partners Fund and CCF IV Investment LP expired on December 31, 2021, and the assets of these funds will be managed down with a view to dissolving the funds in an orderly fashion prior to the end of their terms on September 30, 2025. After the December 31, 2021 expiration of the investment period of these funds, additional committed capital may be called but only to the extent required for certain purposes including to cover operating deficits and, to a maximum of 20% of committed capital, to make follow-on investments. We do not expect any future funding requirements in respect of Crown's uncalled capital commitments to Crown Partners Fund and CCF IV Investment LP.

Other Unfunded Commitments

The Corporation, through Community Network Partners, is party to surety bonds totaling $163.5 million. These bonds are security agreements necessary to support Community Network Partners's participation as an internet service provider under the *Ontario Connects: Accelerated High Speed Internet Program*, through which the maximum subsidy available to Community Network Partners is approximately $150.0 million.

As at December 31, 2023, the Corporation, through Galaxy, has an aggregate commitment with respect to its use of broadband network infrastructure of $73.5 million over a five-year period, inclusive of an aggregate commitment denominated in U.S. dollars of US$54.9 million.

The Corporation, through Community Network Partners, has a commitment to invest a total of $15.0 million over a four-year period in a partnership with YorkNet to finance, construct and operate an advanced optical fibre network to provide high-speed internet in The Regional Municipality of York.

Through WireIE Inc., the Corporation had $0.6 million in backhaul commitments relating to its use of broadband network infrastructure as at December 31, 2023.

As at December 31, 2023, Crown Power Fund had committed to contracts valued at $6.0 million in relation to the construction of power generation assets, of which $4.4 million was funded and included in property and equipment under development and related deposits and $1.6 million was unfunded, of which $0.9 million was attributable to non-controlling interests.

The Corporation has guaranteed the repayment of loans by a third-party financial institution pursuant to its executive share purchase plan to participants in this plan ("**Share Purchase Plan Participants**") which totaled $1.1 million as at December 31, 2023 (December 31, 2022 - $1.4 million), and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of $2.3 million as at December 31, 2023 (December 31, 2022 - $3.6 million).

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

Crown has no other material off-balance sheet arrangements.

REVIEW OF THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

FOR THE YEAR ENDED DEC. 31 (THOUSANDS)	2023	2022
Operating activities	**5,820**	3,101
Investing activities	**(16,582)**	(16,377)
Financing activities	**8,355**	9,674
Effect of foreign exchange rate difference on cash	**12**	4
Decrease in cash and cash equivalents	**$ (2,395)**	$ (3,598)

Operating Activities

Cash provided by operations totaled $5.8 million in the year ended December 31, 2023 compared with $3.1 million in the year ended December 31, 2022. The $2.7 million variance compared with the prior-year period was due primarily to a net change in non-cash working capital, an increase in income distributions received from Crown Partners Fund and a reduction in income taxes paid, partially offset by proceeds received from the repayment of the lease earn-out note receivable in the prior-year period.

Investing Activities

Cash used in investing activities totaled $16.6 million in the year ended December 31, 2023 compared with $16.4 million in the year ended December 31, 2022. Compared with the prior-year period, an increase in additions to property and equipment under development and related deposits, was largely offset by an increase in capital distributions received from Crown Partners Fund in the current-year period, representing proceeds received by Crown Partners from loan repayments and sale of equity securities.

Financing Activities

Cash provided by financing activities totaled $8.4 million in the year ended December 31, 2023 compared with $9.7 million in the year ended December 31, 2022. The primary financing-related sources of cash in the year ended December 31, 2023 included advances in respect of credit facilities, contributions to Crown Power Fund by non-controlling interests and the issuance of the Subordinated Debentures and warrants, which were partially offset by payments in respect of lease obligations, deferred financing costs and the factor facility.

Effect of Foreign Exchange Rate Difference on Cash

The effect of the foreign exchange rate difference on cash of $0.01 million (December 31, 2022 - $0.004) represents the impact of the translation of monetary transactions denominated in U.S. dollars in respect Go Direct America, a wholly owned foreign operation of Crown with a functional currency that is different from Crown's presentation currency.

PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Overview

This MD&A of the consolidated operating and financial performance of the Corporation for the year ended December 31, 2023 is prepared as of March 25, 2024. This discussion is the responsibility of management and should be read in conjunction with the Corporation's December 31, 2023 audited consolidated financial statements and the notes thereto, prepared in accordance with IFRS, and other public filings available on SEDAR at www.sedar.com. The board of directors has approved this MD&A. All amounts therein are expressed in Canadian dollars unless otherwise indicated.

Critical Estimates and Accounting Policies

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

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the audited consolidated financial statements for the year ended December 31, 2023 are included in the following notes in those financial statements:

- Note 3 – Material accounting policies;
- Note 4 – Assets held for sale;
- Note 5 – Investments;
- Note 7 – Investment in Crown Partners Fund;
- Note 8 – Customer contracts;
- Note 9 – Property and equipment;
- Note 10 – Property and equipment under development and related deposits;
- Note 23 – Acquisition of assets;
- Note 24 – Acquisition of subsidiaries; and
- Note 27 – Income taxes

Additional information about critical estimates and accounting policies can be found in the Corporation's 2023 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Material accounting policies adopted in the period:

The following accounting policies have been adopted by the Corporation.

(i) Disclosure of accounting policies

Although the amendments to IAS 1 and IFRS practice Statement 2 effective January 1, 2023 did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 *Material accounting policies* (2022: *Significant accounting policies*) in certain instances in line with the amendments.

(ii) Assets held for sale

Assets and liabilities are classified as held for sale when their carrying amounts are expected to be recovered through a disposition rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn, management is committed to the plan to sell the asset or disposal group, and the sale is expected to be completed within one year from the date of the classification.

The assets or disposal groups are measured at the lower of their carrying amount and estimated fair value less costs of disposal. Impairment losses on initial classification as well as subsequent gains or losses on remeasurement are recognized into income. When the assets or disposal groups are sold, the gains or losses on the sale are recognized as a gain (loss) on disposal of assets. Assets classified as held for sale are not depreciated or amortized.

(iii) Government grants

Government grants related to assets are initially recognized as deferred revenue at fair value when there is reasonable assurance that the Corporation will comply with the conditions associated with the grant and the grant will be received. Grants related to assets are recognized in profit or loss as other income on a systematic basis over the useful life of the related asset.

(iv) Revenue recognition

Real estate revenues, included in fees and other income, are comprised of the following types of revenue:

- Property management fees, development management fees and construction management fees

  Revenues from property management fees, development management fees, and construction management fees are recognized as the related services are provided in accordance with the property management, development management, or construction management agreements.

- Leasing commissions

  Leasing commissions revenue is recognized when earned upon the closing of the related lease agreement.

(v) Property and equipment

Network infrastructure:

Network infrastructure is depreciated on a straight-line basis over its estimated useful life of 20 years. The total cost of network infrastructure including fibre optic hardware and community-based infrastructure, associated installation costs, and costs of contract acquisition are capitalized when the network is available for its intended use.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Accounting standards issued but not yet effective:

Classification of liabilities as current or non-current and non-current liabilities with covenants:

Amendments to IAS 1, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after January 1, 2024.

As the Corporation has a credit facility that is subject to specific covenants, it is in the process of assessing the potential impact of the amendments on the classification of these liabilities and the related disclosures.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

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

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

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

During the year ended December 31, 2023, management removed the scope limitation in respect of Go Direct Global, of which Crown acquired a 100% interest on June 24, 2022.

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

The CEO and CFO have evaluated the design and operating effectiveness of Crown's DC&P and ICFR and concluded that Crown's DC&P and ICFR were effective as at December 31, 2023. While Crown's CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in Crown's ICFR during year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, Crown's ICFR.

PART 6 – RISKS AND FORWARD-LOOKING STATEMENTS

RISK FACTORS

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

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

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

The primary risk factors for Crown Power Fund are credit risk, being the potential inability of counterparties to long-term power supply contracts to meet their obligations to Crown Power Fund, power price variability, which impacts the profitability of Crown Power Fund's merchant power project, and the risk of finding of a suitable market for power equipment held for sale.

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

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

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

An additional risk factor for Galaxy, WireIE Inc., and Community Network Partners is key third-party supplier risk, as each entity is reliant upon the provision of broadband signal and telecommunications capacity by key third-party suppliers which, if terminated or cancelled, could have an adverse impact on the financial condition and results of operations of the Network Services segment.

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

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

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

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

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

As at December 31, 2023, the Corporation had negative working capital of $(42.0) million due to the classification of the Crown Credit Facility, Debentures and mortgage payable as current liabilities. The mortgage payable has a balance of $11.9 million and a maturity date of July 1, 2024, the Debentures have a maturity of December 31, 2024 and the Crown Credit Facility, in respect of which $27.4 million was outstanding at December 31, 2023, is payable on demand by CWB as a result of an unresolved breach of certain financial covenants. While we expect to be able to extend the term of the mortgage payable and expect to either negotiate revised terms of the credit agreement with CWB or refinance this agreement in the second half of 2024 to obtain long-term credit arrangements that provide appropriate capacity and covenants matched to the Corporation's anticipated financial performance and operations, there is risk to achieving each of these desired outcomes.

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

See *Note 21 – Financial risk management* in the Corporation's December 31, 2023 audited consolidated financial statements.

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

FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, investments, net investment in leased distributed power equipment, accounts payable and accrued liabilities, factor facility, contingent consideration, network services vendor note payable, deferred compensation, mortgage payable, lease obligations, the Debentures, the Subordinated Debentures, the Crown Credit Facility and long-term debt.

The Corporation, through its subsidiary Crown Private Credit Fund, holds an equity security which is measured at FVTPL. The Canadian equity security is valued based on its transaction price.

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

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

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

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

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

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

The fair value of the Debentures as at December 31, 2023 is $18.6 million. 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.

The fair value of Subordinated Debentures approximates their carrying value due to the market interest rate on the debentures.

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

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

Additional information about financial instruments and associated risks can be found in *Risk Factors* and in the Corporation's 2023 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

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

- the Corporation's intentions for the use of its cash and cash equivalents and the timing thereof, including additional investments in and capital expenditures by its operating subsidiaries;
- the future capitalization of Crown;
- the structuring, prepayment and/or realization of investments of Crown and Crown Partners Fund and the distributions of related proceeds by Crown Partners Fund;
- the conditions of the industry segments in which the Corporation and its subsidiaries operate and the general economy;
- the determination of recovery levels and values realized on liquidation of security held, when necessary, for the loans of Crown Partners Fund going forward;
- the Corporation's plans regarding the development of certain real estate assets, the ability to achieve the intended development of these assets and Crown's ability to maximize realization of these assets at the time of an eventual disposition;
- the ability to repay, refinance, renegotiate the terms of or extend the maturity of its credit facilities, debentures, Subordinated Debentures, and mortgage payable on terms acceptable to the Corporation and to service its debt obligations in general;
- the ability of Crown to direct the activities of its managed funds;

- the Corporation’s ability to maintain sufficient liquidity to support its operations and to continue as a going concern;
- the ability of Crown to execute on its plans to address its liquidity issues;
- the ability of Crown to sell its assets held for sale and the potential timing thereof;
- the future profitability of Operating Partners affiliated with Crown Power Fund and the expected recoverability of amounts owed to the Corporation by such Operating Partners;
- the distributed power market in general, and in our current geographic regions of focus in particular;
- the recoverability of costs incurred in the development of distributed power assets through the subsequent receipt of lease payments over the duration of the lease contracts in relation to such assets;
- the expected timing of distributed power projects under development becoming operational;
- the expected profitability to be derived from distributed power projects, including projects under development and merchant power projects in operation;
- the Corporation’s intention to seek liquidity for certain distributed power assets, including equipment that is not assigned for use in specific projects under development;
- the Corporation’s intention to have our Network Services segment build a portfolio of long-term contracts structured to provide recurring cash flows, to seek debt and/or equity capital from third-party investors to support investment in, and growth of, its broadband networks, and to generate management fee revenue in relation to managing this capital pool;
- the Corporation’s intention to provide network connectivity to underserved communities through Galaxy, WireIE and Community Network Partners;
- the estimated useful life and recoverability of carrying values in respect of intangible assets representing the fair value of service contracts assumed on the acquisitions of Galaxy, Go Direct Global and Lumbermens and in respect of PenEquity Inc.;
- the ability of Go Direct Global to achieve higher capacity utilization of its logistics facilities, to achieve revenue and earnings growth, and to potentially support investment in additional logistics facilities;
- the expected revenue growth to be achieved by PenEquity;
- the Corporation’s business plans and strategy;
- the Corporation’s future cash flow and shareholder value;
- the non-recurring nature of certain expenses;
- the future recoverability of accounts receivable;
- Crown’s future entitlement to base management and performance fees;
- the future accounting policies of the Corporation;

- the Corporation's ability to secure government subsidies as a source of funding for certain Network Services projects; and

- the Corporation's ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing) to refinance, or partially refinance, the Crown Credit Facility, potentially involving debt at the subsidiary level, and/or to satisfy the repayment of the debentures upon their maturity, and its targeted completion date of such refinancing activities.

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

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

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

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

MARKET AND INDUSTRY DATA

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

TRADEMARKS, TRADE NAMES AND SERVICE MARKS

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

PART 7 – NON-IFRS MEASURES

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

NON-IFRS MEASURES

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

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

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

AS AT DEC. 31, 2023 AND DEC. 31, 2022 (THOUSANDS)	**2023**	2022
Total consolidated liabilities and equity	**176,654**	166,662
Less: Liabilities of subsidiaries		
Accounts payable and accrued liabilities	**(26,769)**	(14,080)
Lease obligations	**(19,141)**	(20,247)
Mortgages payable	**(11,900)**	(11,900)
Long-term debt	**(2,364)**	(2,984)
Non-controlling interests	**(22,988)**	(22,070)
Corporate Capitalization	**93,492**	95,381

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

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

AS AT DEC. 31, 2023 AND DEC. 31, 2022 (THOUSANDS)	**2023**	2022
Total consolidated liabilities and equity	**176,654**	166,662
Less: non-controlling interests' share of liabilities		
Accounts payable and accrued liabilities	**(537)**	(37)
Non-controlling interests	**(22,988)**	(22,070)
Total capitalization at our share	**153,129**	144,555

GLOSSARY OF TERMS

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

References

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

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

- "**CCF III**" – Crown Capital Fund III Management Inc.
- "**CCF IV Investment LP**" – Crown Capital Fund IV Investment, LP
- "**CCFC**" – Crown Capital Funding Corporation
- "**Community Network Partners**" – Community Network Partners Inc.
- "**CPCP**" – Crown Private Credit Partners Inc.
- "**Crown Partners Fund**" – Crown Capital Partner Funding, LP
- "**Crown Partners Fund GP**" – Crown Capital LP Partner Funding Inc.
- "**Crown Power Fund**" – Crown Capital Power Limited Partnership
- "**Crown Power GP**" – 10824356 Canada Inc.
- "**Crown Private Credit Fund**" – Crown Capital Private Credit Fund, LP
- "**Galaxy**" **–** Galaxy Broadband Communications, Inc.
- "**Go Direct America**" **–** Go Direct America Inc.
- "**Go Direct Global**" **–** Go Direct Global Inc.
- "**Go Direct SCS**" – Go Direct Supply Chain Solutions Inc.
- "**LESC**" – Lionstooth Energy Services Corporation
- "**Lumbermens**" – Lumbermens Credit Group Ltd.
- "**Mill Street**" – Mill Street & Co. Inc.
- "**NCOF LP**" – Norrep Credit Opportunities Fund, LP
- "**OneWeb**" – Network Access Associates Ltd.
- "**Onsite Power"** – Onsite Power Partners Ltd.
- "**PBC**" – PRC Barrie Corp. and Penady (North Barrie) Limited, collectively
- "**PDLP**" – PenEquity Development LP
- "**PenEquity Realty**" – PenEquity Realty Corporation
- "**PSCC**" – PRC Stoney Creek Corp. and Penady (Stoney Creek) Ltd., collectively
- "**Wilson Creek Energy**" – Wilson Creek Energy Corporation
- "**WireIE**" – WireIE Holdings International Inc.
- "**WireIE Canada**" – WireIE (Canada) Inc.
- "**YorkNet" –** YTN Telecom Network Inc.