

May 11, 2020



MOUNT LOGAN
C A P I T A L

Mount Logan Capital Inc. Announces March 2020 Interim Results; Declares Shareholder Distribution

Toronto, Ontario--(Newsfile Corp. - May 11, 2020) - Mount Logan Capital Inc. (NEO: MLC) ("Mount Logan," "our," "we," or the "Company") announces its financial results for the three months ended March 31, 2020. All amounts are stated in United States dollars, unless otherwise indicated.

First quarter 2020 highlights:

- Achieved quarterly investment income of \$1.1 million for the three months ended March 31, 2020
- As of March 31, 2020, the fair value of the Company's portfolio was \$54.7 million¹, consisting of 80.0% in first lien senior secured loans, 5.6% in promissory notes and 14.4% in the Great Lakes Unitranche Joint Venture
- Adjusted net investment income of \$182,000
- Primarily driven by unrealized losses, net loss and comprehensive loss for the quarter was \$2.3 million, or \$(0.22) per basic and diluted share
- Net assets of \$31.8 million as of March 31, 2020 and net asset value per share as of March 31, 2020 of USD\$3.00
- Cash and cash equivalents (including restricted cash) of \$8.9 million as of March 31, 2020
- The board of directors of the Company (the "Board") declared a cash dividend in the amount of CAD\$0.02 per common share to be paid on June 26, 2020 to shareholders of record on May 21, 2020

Ted Goldthorpe, Chief Executive Officer and Chairman of Mount Logan, noted, "We are pleased with our results for the quarter, especially amid the market volatility, and we remain vigilant on the portfolio in this unprecedented environment. We will continue to actively evaluate additional new investments that present an immense opportunity amid the recent market volatility. While we understand and appreciate that the long-term impacts of COVID-19 are uncertain, we believe that Mount Logan's investment portfolio and balance sheet are positioned defensively and that our management team will continue to take steps to protect

stakeholder value and continue to drive value through opportunistically deploying capital in the current environment."

Results of operations - three months ended March 31, 2020

Total investment income for the three months ended March 31, 2020 was \$1.1 million as compared to \$0.5 million for the three months ended March 31, 2019. The increase in investment income is attributable to the growth in the Company's investment portfolio related to the broadening of the Company's investment strategy following its plan of arrangement completed in October 2018, the greater capital resources available to the Company from equity financings, and from the Company's revolving senior loan facility which closed in February 2019.

Total expenses for the three months ended March 31, 2020 were \$1.2 million, including interest and financing expense under the revolving senior loan facility of \$0.6 million, as compared to total expenses of \$0.5 million in the same period last year.

¹Excludes the Company's legacy investment in Cline Mining Corporation ("Cline"), which is subject to the contingent value rights issued by the Company to the holders of the common shares of the Company prior to its plan of arrangement completed in October 2018.

Portfolio and Investment Activity

The fair value of our portfolio was \$54.7 million as of March 31, 2020 (excluding Cline). The composition of our investment portfolio at March 31, 2020 and December 31, 2019 at fair value (in each case, excluding Cline) was as follows:

	March 31, 2020		December 31, 2019	
	Fair value	% of total	Fair value	% of total
First Lien Loan	\$ 43,721	80.0 %	\$ 48,013	79.2 %
Promissory Notes and Unsecured Debt	3,068	5.6 %	3,068	5.0 %
Great Lakes Unitranche Joint Venture	7,866	14.4 %	9,532	15.7 %
	\$ 54,655	100.0 %	\$ 60,613	99.9 %

For the three months ended March 31, 2020, the Company recognized \$2.3 million in unrealized depreciation on its investment portfolio from decreases in the fair value of some of its portfolio company investments primarily due to the potential adverse economic effects and uncertainty presented by COVID-19 the related re-pricing of credit risk in the broadly syndicated credit market.

On January 22, 2020, Marret Asset Management Inc., the former manager, announced that Cline had entered into a binding agreement for the sale by Cline to Allegiance Coal Limited of all the shares in New Elk Coal Company, LLC. The total acquisition consideration is \$55.0 million and completion of the sale is anticipated to occur this year. The net proceeds

received by the Company will be distributed to holders of the Company's contingent value rights.

Liquidity and Capital Resources

At March 31, 2020, we had cash and cash equivalents (including restricted cash) of \$8.9 million, total assets of \$70.7 million and shareholders' equity of \$31.8 million. Our net asset value per common share was USD\$3.00. As of March 31, 2020, we had \$34.4 million of borrowings outstanding on our revolving senior loan facility. On January 31, 2020, the revolving senior loan facility was amended to, among other things, extend the maturity date from February 21, 2020 to February 19, 2021.

Subject to prevailing market conditions, we intend to grow our portfolio of assets by raising additional capital, including through the prudent use of leverage available to us and potentially raising additional equity from time to time.

Our interim consolidated financial statements for the three months ended March 31, 2020 and related management's discussion and analysis will be available on the Company's website at www.mountlogancapital.ca and on SEDAR (www.sedar.com).

Dividend Declaration

The Board has declared a cash dividend in the amount of CAD\$0.02 per common share to be paid on June 26, 2020 to shareholders of record on May 21, 2020. This dividend is designated by the Company as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation. An enhanced dividend tax credit applies to eligible dividends paid to Canadian residents.

The declaration and payment by the Company of any future cash dividends, including the amount thereof, will be at the discretion of the Board and will depend on, among other things, the financial condition, capital requirements and earnings of the Company.

Conference Call

We will hold a conference call on Wednesday, May 13, 2020 at 11:00 a.m. Eastern Time to discuss our first quarter 2020 financial results. Shareholders, prospective shareholders, and analysts are welcome to listen to the call. To register for the call and access dial-in information please visit <https://bit.ly/2yuPBrrp>. The recording of the conference call will be available on our Company's website www.mountlogancapital.ca in the Investor Relations section under Events.

About Mount Logan Capital Inc.

Mount Logan Capital Inc. is a Canada-based asset manager created to source and execute on credit investment opportunities in North America. The Company holds and actively manages and monitors a portfolio of loans and other investments with credit-oriented characteristics. The Company intends to actively source, evaluate, underwrite, monitor, and primarily invest in additional loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle.

Non-IFRS Financial Measures

This news release makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of the Company's results of operations from management's perspective. The Company's definitions of non-IFRS measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company has included herein certain non-IFRS supplemental measures of key performance, including, but not limited to, adjusted net investment income, net asset value ("NAV") per share and comprehensive income. We utilize these measures in managing our business, including performance measurement. We believe that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, these measures are not recognized under IFRS. The definitions and calculations of the non-IFRS measures used in this news release are described in greater detail in the Company's management discussion and analysis for the three months ended March 31, 2020. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

Change in Functional Currency

Prior to January 1, 2020, the Company's functional currency was the Canadian dollar ("CAD"). In accordance with International Auditing Standards 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"), an entity's functional currency should reflect the underlying transactions, events and conditions that are relevant to the entity. Management considered primary and secondary indicators in determining functional currency, including the currency that influences sales prices, labor, purchases and other costs. Other indicators included the currency in which funds from financing activities are generated and the currency in which receipts from operations are usually retained. Beginning in 2018, the Company began shifting its investment focus to the U.S. market and the Company's economic and currency exposure has shifted from Canada to the United States. At December 31, 2019, over 90.0% of the Company's investments were fully exposed to the United States dollar ("USD") and the Company earned a significant amount of its revenue in USD.

Based on these factors, management concluded that effective January 1, 2020, the Company's functional currency should be USD. The Company has accounted for the change in functional currency prospectively, as provided for under IAS 21 with no impact of this change on prior year comparative information other than in conjunction with the change in presentation currency previously made effective January 1, 2019.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the expressions "seeks", "expects", "believes", "estimates", "will", "target" and similar expressions. The forward-looking statements are not historical facts but reflect the current expectations of the Company regarding future results or events and are based on information currently available to them. Certain material factors and assumptions were

applied in providing these forward-looking statements. The forward-looking statements discussed in this release include, but are not limited to, statements relating to the Company's business strategy, model, approach and future activities, portfolio composition and size, asset management activities and related income, capital raising activities, future credit opportunities of the Company, portfolio realizations, the protection of stakeholder value and the expansion of the Company's loan portfolio. All forward-looking statements in this press release are qualified by these cautionary statements. The Company believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, the Company can give no assurance that the actual results or developments will be realized by certain specified dates or at all. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks Factors" in the most recently filed annual information form and management discussion and analysis for the Company. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this press release.

This press release is not, and under no circumstances is it to be construed as, a prospectus or an advertisement and the communication of this release is not, and under no circumstances is it to be construed as, an offer to sell or an offer to purchase any securities in the Company or in any fund or other investment vehicle.

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MOUNT LOGAN CAPITAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars, except number of shares and per share amounts)

	March 31, 2020	December 31, 2019
	(unaudited)	
Assets		
Investments, at fair value	\$ 58,242	\$ 64,489
Cash	668	425
Restricted cash	8,261	6,733
Receivable for investments sold	303	-
Due from affiliates, net	118	411
Accrued interest and dividend receivable	204	358

Deferred tax asset		2,863		2,863
Prepaid expenses		23		33
Total assets	\$	70,682	\$	75,312

Liabilities

Credit facility (net of deferred financing costs of \$441 and \$80, respectively)	\$	33,959	\$	34,320
Payable for investments purchased		-		1,880
Interest payable		490		383
Dividends payable to shareholders		151		-
Contingent value rights		3,589		3,876
Accounts payable and accrued liabilities		728		644
Total liabilities		38,917		41,103

Shareholders' equity

Share capital		80,988		80,988
Warrants		1,086		1,086
Contributed surplus		7,240		7,240
Deficit		(35,691)		(33,247)
Cumulative translation adjustment		(21,858)		(21,858)
Total shareholders' equity		31,765		34,209
Total liabilities and shareholders' equity	\$	70,682	\$	75,312
Common shares issued and outstanding		10,604,998		10,604,998
Net asset value per share	\$	3.00	\$	3.23

MOUNT LOGAN CAPITAL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of United States dollars, except number of shares and per share amounts)

	Three Months Ended March 31,	
	2020	2019
Investment income		
Interest income	\$ 865	\$ 483
Dividend income	215	-
Total investment income	1,080	483
Operating expenses		
Administration fees	148	-
Arrangement costs	-	138

Interest and other credit facility expenses	648	90
Professional fees	215	122
Compensation	56	81
Marketing	32	-
Directors' fees	21	23
Regulatory and shareholder relations	24	26
Other general and administrative	37	19
Total operating expenses	1,181	499
Net investment income (loss)	(101)	(16)
Realized and unrealized gain (loss)		
Net realized gain (loss) on investments	41	25
Net realized loss on foreign currency	1	-
Net change in unrealized appreciation on investments	(2,266)	10
Net change in unrealized (loss) gain on foreign currency	32	(469)
Total net realized and unrealized (loss) gain	(2,192)	(434)
Loss and comprehensive loss before income tax	(2,293)	(450)
Deferred tax recovered	-	698
Income (loss) and comprehensive income (loss)	\$ (2,293)	\$ 248
Weighted average shares outstanding - basic and diluted	10,604,998	10,233,905
Income (loss) per share - basic and diluted	\$ (0.22)	\$ 0.02

To view the source version of this press release, please visit
<https://www.newsfilecorp.com/release/55693>