

March 22, 2021



MOUNT LOGAN
CAPITAL

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

TORONTO, March 22, 2021 (GLOBE NEWSWIRE) -- Mount Logan Capital Inc. (NEO: MLC) ("Mount Logan," "our," "we," or the "Company") announces its financial results for the year ended December 31, 2020. All amounts are stated in United States dollars, unless otherwise indicated.

Highlights:

- In the fourth quarter, Mount Logan accelerated its transition to a fee-driven business by completing its transaction with Sierra Crest Investment Management LLC ("Sierra Crest") related to the Alternative Credit Income Fund ("CIF"), acquired a minority stake in Sierra Crest, a U.S. asset management platform, and closed its acquisition of management contracts for a U.S. collateralized loan obligation platform (the "CLO Platform"). In connection with these activities, in the fourth quarter, Mount Logan began recognizing management fee and other income.
- Total investment income for the year ended December 31, 2020 increased 12% to \$3.9 million from \$3.5 million for the year ended December 31, 2019.
- As of December 31, 2020, the carrying value of the Company's portfolio was \$41.3 million¹.
- Total shareholders' equity as of December 31, 2020 was \$43.2 million.
- 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 April 7, 2021 to shareholders of record on March 31, 2021.
- On February 4, 2021, Mount Logan repaid the outstanding balance of \$34.4 million under its revolving senior loan facility in full and terminated the facility.

Ted Goldthorpe, Chief Executive Officer and Chairman of Mount Logan, noted, "2020 proved to be an eventful year and we are very pleased with the performance of our portfolio and our strategic transactions aimed at expanding the Company into an asset management platform. Across CIF, our new CLO Platform, and our minority stake in Sierra Crest, we are now starting to diversify the business from an interest income model towards revenue attributable to recurring management fees and other income that we expect to grow over the course of 2021. We look forward to making continued progress in 2021 as we actively assess strategic transactions that assist in accelerating our ongoing transition into an asset management oriented business model."

¹ Excludes the Company's legacy investment in Cline Mining Corporation of \$4.0 million, which is subject to the contingent value rights ("CVRs") issued by the Company to the holders of the common shares of the Company prior to its plan of arrangement completed in October 2018.

Update on Operations

Private Placement

On October 27, 2020 and November 25, 2020, the Company closed two tranches of a private placement collectively issuing 6,358,381 common shares at a price of CAD\$2.75 per share for gross proceeds of CAD\$17.5 million (USD\$13.3 million).

CIF Transaction

On October 30, 2020, the Company completed a transaction alongside Sierra Crest, an affiliate of BC Partners Advisors L.P., whereby Sierra Crest became the investment adviser of CIF pursuant to a new advisory agreement (the "CIF Advisory Agreement") between Sierra Crest and CIF and whereby MLC captures the net economic benefit associated with the CIF Advisory Agreement through a secured promissory note and services agreement. CIF is a U.S.-based, continuously offered, closed-end interval fund that invests across credit markets including direct credit, private credit, and public credit.

CLO Transaction

On November 12, 2020, the Company, through its subsidiary, Mount Logan Management LLC ("ML Management"), completed a transaction with Garrison Investment Management LLC and other sellers (collectively, "GARS Sellers") pursuant to which ML Management acquired the rights of the GARS Sellers under certain investment and collateral management agreements relating to Garrison Funding 2018-1 LP and Garrison MML CLO 2019-1 LP (collectively, the "CLOs") and became the investment manager of the CLOs. ML Management is entitled to receive management fees based upon aggregate gross assets under management, paid quarterly, and subject to various reductions based on caps, transaction fees, and fee-sharing arrangements.

Sierra Crest Transaction

On December 17, 2020, the Company, through a wholly-owned subsidiary, completed the acquisition of a 21.4% equity stake in Sierra Crest from an arms-length third party. Sierra Crest is a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended, whose primary activities are the management of Portman Ridge Finance Corporation, a U.S. business development company with a \$488 million investment portfolio (fair value as of December 31, 2020), and the management of CIF.

Cline

The Company, along with affiliates of Marret Asset Management ("Marret" and collectively, the "Group"), holds an investment in the equity and bonds of Cline Mining Corporation ("Cline"). Under a restructuring plan involving Cline, approved by the courts in 2015, the Group owns all of the equity and the senior secured bonds of Cline post-restructuring. On October 27, 2020, Marret announced that Cline has completed the sale to Allegiance Coal Limited of all the shares in New Elk Coal Company ("NECC"), which owns the New Elk Coal hard coking coal mine located in southeast Colorado. The Company understands that it is Marret's intention to direct Cline to remit the net proceeds from the transaction, less a prudent provision for any ongoing minimal Cline operating costs, to the senior bondholders (which includes the Company) as soon as practicable after receipt. On February 24, 2021, the Company received CAD\$0.5 million in connection with the sale of the shares of NECC.

The distribution by the Company of any proceeds received from the Cline transaction will be made in accordance with the terms of the indenture governing the CVRs, a copy of which is available for review under the Company's SEDAR profile at www.sedar.com.

Results of Operations

Total investment income for the year ended December 31, 2020 was \$3.9 million as compared to \$3.5 million for the year ended December 31, 2019. In connection with asset management activities in the fourth quarter of 2020, the Company generated \$65,000 in management fee income.

Total expenses for the year ended December 31, 2020 were \$5.2 million, as compared to total expenses of \$3.3 million for the year ended December 31, 2019. The Company incurred \$0.8 million in costs related to strategic transactions currently in progress. In addition, certain professional fees were elevated during the fourth quarter amid acquisition and capital raising activities. Further, in the fourth quarter, the Company increased the valuation allowance against its deferred tax assets, which resulted in a non-cash deferred tax expense of \$1.1 million.

Portfolio and Investment Activity

The carrying value of our portfolio was \$41.3 million as of December 31, 2020 (excluding Cline). The composition of our investment portfolio at December 31, 2020 and 2019 at carrying value (in each case, excluding Cline) was as follows:

	December 31, 2020		December 31, 2019	
	Carrying value	% of total	Carrying value	% of total
Senior Secured Loan	\$ 21,761	52.7%	\$ 48,013	79.2%
Great Lakes Unitranche Joint Venture	—	0.0%	9,532	15.7%
Promissory Notes and Unsecured Debt	12,504	30.3%	3,068	5.1%
Equity	7,000	17.0%	—	0.0%
	\$ 41,265	100.0%	\$ 60,613	100.0%

At December 31, 2020, the promissory note holding is related to the CIF Transaction and the equity holding is the minority stake in Sierra Crest. For the year ended December 31, 2020, the Company recorded \$87,000 in net realized gains on portfolio dispositions and \$477,000 in unrealized depreciation on its investment portfolio.

Liquidity and Capital Resources

At December 31, 2020, we had cash and restricted cash of \$24.3 million, total assets of \$91.0 million and shareholders' equity of \$43.2 million. Our net asset value per common share was \$2.55. As of December 31, 2020, we had \$39.7 million of debt outstanding, collateralized by \$21.8 million of our invested assets at carrying value and \$17.6 million of restricted cash. On October 27, 2020 and November 25, 2020, the Company closed two tranches of a private placement collectively issuing 6,358,381 common shares of the Company at a price of CAD\$2.75 per share for gross proceeds of CAD\$17.5 million (USD\$13.3 million). On February 4, 2021, in connection with the ongoing transition in business strategy, the Company terminated its revolving senior loan facility and repaid the \$34.4 million outstanding balance.

Subject to prevailing market conditions, we intend to prudently manage our liquidity and leverage, which could potentially include additional equity raises from time to time.

Our audited annual consolidated financial statements for the year ended December 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 April 7, 2021 to shareholders of record on March 31, 2021. 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 Tuesday, March 23, 2021 at 9:00 a.m. Eastern Time to discuss our 2020 financial results. Shareholders, prospective shareholders, and analysts are welcome to listen to the call. To join the call, please use the dial-in information below and ask to be joined into the "Mount Logan Capital Inc." call. A recording of the conference call will be available on our Company's website www.mountlogancapital.ca in the Investor Relations section under Events.

Dial-in Toll Free: 1-877-270-2148

International Dial-in Toll Free: 1-412-902-6510

About Mount Logan Capital Inc.

Mount Logan Capital Inc. is an alternative asset management company that is focused on investing in public and private debt securities in the North American market. The Company seeks to source and actively manage loans and other debt-like securities with credit-oriented characteristics. The Company actively sources, evaluates, underwrites, monitors and primarily invests in 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, net asset value ("NAV") per share. We utilize this measure in managing our business, including performance measurement. We believe that providing this performance measure on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, this measure is 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 year ended December 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 continued transition to an asset management oriented business model and the entering into of further strategic transactions to diversify the Company's business and further grow recurring management fee and other income, statements regarding the ability of the Company to capitalize on the growth on the collateralized loan obligation industry, statements relating to the additional earnings potential as a result of the acquisition of an interest in Sierra Crest and the ability of Sierra Crest to further scale its business, the

distribution to the holders of CVRs of any proceeds received by the Company in respect of its investment in Cline, 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 that the Company has a limited operating history with respect to an asset management oriented business model, the collateralized loan obligation industry may not grow and develop as expected by the Company, the Company may not be able to capitalize on any growth within the collateralized loan obligation industry, the Company has only a minority stake in Sierra Crest and does not have the ability to affect control over Sierra Crest or direct the management of Sierra Crest, the risk that Sierra Crest may cease to be the investment adviser to Portman Ridge Finance Corporation and/or CIF and may not enter into further asset management agreements in order to scale and grow its business, the CIF Advisory Agreement is subject to the certain approvals every two years and such approvals may not be obtained, and 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. This press release is not intended for U.S. persons. The Company's shares are not and will not be registered under the U.S. Securities Act of 1933, as amended, and the Company is not and will not be registered under the 1940 Act. U.S. persons are not permitted to purchase the Company's shares absent an applicable exemption from registration under each of these Acts. In addition, the number of investors in the United States, or which are U.S. persons or purchasing for the account or benefit of U.S. persons, will be limited to such number as is required to comply with an available exemption from the registration requirements of the 1940 Act.

For additional information, contact:

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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)

	December 31, 2020	December 31, 2019
ASSETS		
Investments	\$ 38,219	\$ 64,489
Investment in associates	7,000	—
Cash	6,658	425
Restricted cash	17,620	6,733
Receivable for investments sold	15,840	—
Due from affiliates	—	411
Other assets	436	391
Deferred tax assets	1,716	2,863
Intangible assets, net	3,496	—
Total assets	\$ 90,985	\$ 75,312
LIABILITIES		
Debt	\$ 39,412	\$ 34,320
Payable for investments purchased	988	1,880
Other liabilities	1,514	1,027
Due to affiliates	403	—
Payable for equity units purchased	1,536	—
Contingent value rights	3,954	3,876
Total liabilities	47,807	41,103
SHAREHOLDERS' EQUITY		
Share capital	93,480	80,988
Warrants	1,086	1,086
Contributed surplus	7,240	7,240
Deficit	(36,770)	(33,247)
Cumulative translation adjustment	(21,858)	(21,858)
Total shareholders' equity	43,178	34,209
Total liabilities and shareholders' equity	\$ 90,985	\$ 75,312
Common shares issued and outstanding	16,963,379	10,604,998
Net asset value per share	\$ 2.55	\$ 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)

	Years ended December 31,	
	2020	2019

REVENUE		
Interest income	\$ 3,184	\$ 3,046
Dividend income	676	442
Management fee and other income	65	11
Total revenue	3,925	3,499
EXPENSES		
Administration fees	623	141
Arrangement costs	—	166
Transaction costs	765	—
Amortization of intangible assets	95	—
Interest and other credit facility expenses	2,014	1,563
Professional fees	874	593
Compensation	225	312
Other expenses	561	500
Total expenses	5,157	3,275
Net income (loss)	(1,232)	224
REALIZED AND UNREALIZED GAIN (LOSS)		
Net realized gain on investments	87	620
Net realized loss on foreign currency	(56)	(43)
Net change in unrealized appreciation (depreciation) on investments	(477)	9
Net change in unrealized gain (loss) on foreign currency	20	(1,281)
Total net realized and unrealized loss	(426)	(695)
Loss and comprehensive loss before income tax	(1,658)	(471)
Deferred tax (expense) recovered	(1,147)	699
Income (loss) and comprehensive income (loss)	\$ (2,805)	\$ 228
Weighted average shares outstanding – basic and diluted	11,728,698	10,348,477
Income (loss) per share – basic and diluted	\$ (0.24)	\$ 0.02



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Source: Mount Logan Capital Inc.