The Management's Discussion and Analysis ("MD&A") for Mount Logan Capital Inc. (formerly Marret Resource Corp.) (the "Company," "we," "us," or "our") is provided to enable readers to assess our financial condition and results of operations as at and for the three months ended March 31, 2019, compared to the corresponding period in the prior fiscal year. This MD&A should be read in conjunction with our interim consolidated financial statements and the accompanying notes for the same period as well as our annual MD&A and audited consolidated financial statements for the year ended December 31, 2018 and the accompanying notes thereto. This MD&A is dated May 9, 2019.

All amounts are in thousands of Canadian dollars, except for securities and per share data, and are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), unless otherwise noted.

Additional information about us, including our 2019 Interim Report, 2018 Annual Report and Annual Information Form are available on SEDAR at www.sedar.com.

NON-IFRS MEASURES AND FORWARD-LOOKING STATEMENTS

The Company has included herein certain supplemental measures of key performance, including, but not limited to, net asset value ("NAV") per share, adjusted income and comprehensive income and adjusted income per share. We utilize NAV per share 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 definition and calculation of the non-IFRS measure used in this MD&A is provided in Section 2.

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "might", "project", "predict", "potential", "target", "intend", "would", "could", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results and financing activities and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves 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 information. Readers are cautioned not to place undue reliance on our forward-looking statements contained in this MD&A, as a number of factors – many of which are beyond our control and the effects of which are difficult to predict – could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to investment performance and our ability to generate taxable income from operations, market fluctuations, the strength of the Canadian, U.S. and other economies, foreign exchange fluctuations, political and economic conditions in the countries in which the interests of the Company's portfolio investments are located, and other risks included elsewhere in this MD&A under the heading "Risks Factors" and in the Company's current Annual Information Form and other public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

1. NATURE OF BUSINESS

1.1 Overview

The Company trades on the Aequitas NEO Exchange (the "NEO Exchange") under the symbol MLC.

Prior to October 19, 2018, the Company's business of an investment firm was primarily focused on investing in public and private debt securities of and making term loans (including bridge and mezzanine debt) to issuers in a broad range of natural resource sectors, including energy, base and precious metals and other commodities, and issuers involved in exploration and development, and may also include financing other resource-related businesses and investing in public and private equity and quasi-equity securities. The portfolio was managed by Marret Asset Management Inc. (the "Former Manager") under a management services agreement ("MSA"). Pursuant to the MSA, the Former Manager was responsible for the management of the Company's business, including the Company's day-to-day investment operations. On October 19, 2018, the Company terminated the MSA except for retaining the Former Manager to continue to manage the Company's investment in Cline Mining Corporation ("Cline").

On October 19, 2018, the Company completed a plan of arrangement (the "Arrangement") pursuant to which, among other things, it raised additional financing of approximately $40.6 million through completion of a private placement offering and expanded its focus from natural resource lending to a broader lending-oriented credit platform. In connection with the Arrangement, the Company acquired and actively manages and monitors a portfolio of loans and other investments with credit-oriented characteristics. The Company's objective is 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.

The Company applies rigorous and deep due diligence to the credit opportunities it assesses. Priorities include: establishing downside protection and principal preservation through financial and structural protections; seeking to generate attractive returns utilizing the skill and experience of management; and leveraging the expertise and network of management.

While focused on senior secured middle-market credit, depending on market conditions, the Company may evaluate employing a variety of credit investing strategies as part of its investment program. These could include: leveraged yield strategies; private and mezzanine lending and structured equity; dislocated structured credit/regulatory capital investments; and other credit-oriented investments as further discussed below:

Leveraged Yield Strategies

- Low leveraged bank loan funds: primarily secured bank loans with low loan-to-value ("LTV") metrics and selective and prudent financing at the asset level. This is a strategy typically employed during periods of market or sector dislocation or when an individual company's loans do not reflect true fundamental value.
- Synthetic baskets: investments in par or near-par performing bank loans via total return swaps or similar structures.

Private and Mezzanine Lending and Structured Equity

- Private and mezzanine lending: providing creative financing solutions to borrowers with custom documentation. Borrowers in the middle-market seek resourceful financing partners that have industry expertise, can provide certainty of execution, and can transact on an expedited timeline.
- Structured Equity: invests in minority structured convertible preferred equity with significant downside protection through company selection and robust negative controls.

Dislocated Structured Credit/Regulatory Capital

- Primary and secondary structured products: opportunistic investments in non-traditional credit instruments with varying counterparty credit risk.
- Regulatory capital relief: structured financing solutions to mitigate regulatory capital constraints for borrowers. Rising regulatory capital requirements for financial institutions create an opportunity for non-traditional capital providers to structure capital solution programs aimed at mitigating banks' risk of near-term capital losses in return for insurance-like payments on first loss pieces assumed by financial investors.

Investments are expected to be made primarily in developed markets with a focus on North America although the Company may invest in markets outside of North America if the Company identifies investment opportunities that offer particular value.

1.2 Investment restrictions

The Company conducts its activities within the general parameters of its investment objective and strategy but subject to certain specific restrictions. In pursuing its investment strategy, the Company generally aims to adhere to the following investment restrictions:

- Diversification – the net amount invested by the Company in the investments of any one issuer (on a look through basis) will not exceed 20% of the portfolio of the Company, as determined at the time of such investment other than securities issued or guaranteed by the government of Canada, the government of the United States or a province, state or territory thereof.
- Foreign exposure – the net amount invested by the Company in securities outside of Canada and the United States will not exceed 50% of the net asset value of the Company, as determined at the time of such investment.
- Liquidity – the nature of the Company's business allows for investments in public and private securities, and there are no specific restrictions on the liquidity of the assets in which the Company may invest. However, management will ensure that the Company's investment portfolio has sufficient liquidity to satisfy any borrowing obligations, to manage the dividend policy, if any, adopted by the board of directors of the Company from time to time and any share buy-back arrangements.
- Hedging – the Company may use derivatives to hedge credit risk, its exposure to changes in interest rates and currency fluctuations and to gain exposure to individual securities and markets instead of directly buying the securities. The Company may use treasury futures and/or government bonds to hedge against changes in interest rates and may use credit default swaps and credit default indices to hedge credit risk.

1.3 Recent developments

On February 22, 2019, Great Lakes Senior MLC I LLC ("MLC I") entered into a facility and security agreement (the "Revolving Senior Loan Facility") for a revolving facility of up to USD $50.0 million to be provided by a large financial institution, as initial lender, and such other additional institutions who from time to time become lenders in respect of the Revolving Senior Loan Facility (collectively, the "Lenders"). Pursuant to the Revolving Senior Loan Facility, MLC I is initially entitled to borrow from the Lenders, on a revolving basis, up to USD $29.0 million, provided that the amount available under the Revolving Senior Loan Facility will be automatically increased to: (a) USD $36.6 million on the date that is seven months after closing of the transaction (the "Closing Date"); (b) USD $43.3 million on the date that is eight months after the Closing Date; and (c) USD $50.0 million on the date that is nine months after the Closing Date with a one-time facility increase of USD $25.0 million exercisable any time after the advances equal or exceed USD $40.0 million. The outstanding principal amount and accrued but unpaid interest in respect of the Revolving Senior Loan Facility will become payable on the 364th day after the Closing Date, subject to certain adjustments pursuant to the Revolving Senior Loan Facility. MLC I intends to use the proceeds from the Revolving Senior Loan Facility primarily for the purchase of commercial loans, debt obligations and/or other eligible loans and investments and to fund extensions of credit in respect of term loan and revolving loan commitments held by MLC I.

2. FINANCIAL REVIEW

The following section should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the three months ended March 31, 2019.

2.1 First quarter highlights

The Company reported revenue of $660 in the first quarter of 2019, as compared to $59 in the same period in 2018, representing an increase of $601.

Interest and financing expense for the first quarter of 2019 was $120, representing the cost of the Revolving Senior Loan Facility entered into in the first quarter of 2019. Such costs were offset by the income generated from the additional investment opportunities.

Net income and comprehensive income attributable to shareholders for the first quarter of 2019 was $330 or $0.00 per basic and diluted share, as compared to a net loss and comprehensive loss of $150 or $(0.01) per basic and diluted share in the same period in 2018, representing an increase in net income of $480.

The principal balance of the Company's loan investments increased to $69.7 million as at March 31, 2019, as compared to $11.2 million as at March 31, 2018, representing an increase of 522%, primarily due to fundings of new loan investments. As at March 31, 2019, based on fair value, our portfolio consisted of 73.4% first lien loans (including delay draws), 6.5% PIK notes, 9.9% bonds and 10.2% equity investments. As at March 31, 2019, our weighted average total yield of the portfolio at fair value and amortized cost was 7.4% and 7.4%, respectively.

Cline continues to be engaged with multiple parties in exploring sources of fresh capital and potentially new ownership for Cline. Overall, the prospects for a liquidity event have improved, yet continue to be far from certain.

2.2 Income statement

For the three months ended		**March 31, 2019**		March 31, 2018
		(unaudited)		(unaudited)
Interest income	**$**	**660**	$	59
Management and servicing fees		**(18)**		(22)
Arrangement costs		**(183)**		—
Interest and other credit facility expenses		**(120)**		—
Professional fees		**(162)**		(22)
Directors' fees		**(31)**		(37)
Regulatory and shareholder relations		**(34)**		(32)
Other general and administrative		**(133)**		(31)
Net realized and unrealized gain (loss)		**(577)**		(65)
Total comprehensive (loss) income	**$**	**(598)**	$	(150)

The increase in interest income from investments for the three months ended March 31, 2019 as compared to the corresponding period in 2018 was primarily due to an increase in the average size of our portfolio. The size of our portfolio increased from an average of $0.2 million at cost as at March 31, 2018 to an average of $3.8 million at amortized cost as at March 31, 2019. The weighted average yield of our total portfolio remained steady as at March 31, 2019 as compared to the corresponding period in 2018.

Arrangement costs include non-recurring costs incurred to complete the plan of arrangement.

On February 22, 2019, MLC I entered into a Revolving Senior Loan Facility that bears interest at LIBOR plus the applicable spread. As at March 31, 2019, we had USD $20.8 million outstanding and incurred interest expense and financing costs totaling $120.

Professional fees increased primarily due to audit and audit related fees. Other general and administrative fees increased primarily due to employee salaries. Net realized and unrealized gain (loss) increased due to the increase in investment activities and the unrealized loss from foreign currencies.

2.3 Balance sheet

	March 31, 2019 (unaudited)	December 31, 2018
Investments, at fair value	$ 79,960	$ 39,970
Cash and cash equivalents	20,922	8,029
Receivable for investments sold	4,532	—
Accrued interest and dividend receivable	306	448
Prepaid assets	26	37
Deferred tax asset	3,718	2,790
	$ 109,464	$ 51,274
Debt	$ 27,446	$ —
Payable for investments purchased	30,400	—
Interest payable	79	—
Accounts payable and accrued liabilities	560	625
Contingent value rights	7,949	7,949
Share capital	69,394	69,394
Warrants	1,424	1,424
Contributed surplus	7,483	7,483
Deficit	(35,271)	(35,601)
	$ 109,464	$ 51,274

The Company's investment portfolio, based on fair value, as at March 31, 2019 consisted of 73.4% first lien loans (including delay draws), 6.5% PIK notes, 9.9% bonds and 10.2% equity investments. Our investment portfolio, at par, increased from $25.1 million as at December 31, 2018 to $55.6 million as at March 31, 2019. We made twelve new and existing investments and two partial dispositions during the quarter ended March 31, 2019.

Deferred tax assets, measured at the tax rates expected to apply, represents management's estimate of temporary differences that will be able to be realized. Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available in future periods against which deductible temporary differences may be utilized. For the period ended March 31, 2019, based on the evidence available, including management projections of income, we believe that it is probable there will be sufficient taxable income generate by our business operations to support the deferred tax assets.

On February 22, 2019, MLC I entered into a Revolving Senior Loan Facility of up to USD $50.0 million with a large financial institution as initial lender, and such other additional institutions who from time to time parties thereto. U.S. Bank N.A. serves as administrative agent, custodian, collateral agent and collateral administrator. The Revolving Senior Loan Facility is guaranteed by the Company. As at March 31, 2019, there was USD $20.8 million of the Revolving Senior Loan Facility outstanding.

For each common share of the Company held as of the distribution record date for the Arrangement, each shareholder (other than U.S. shareholders) received one contingent value right ("CVR"), representing a contingent cash entitlement in respect of Cline. Under the terms of the indenture, the Company will pay all net proceeds received from its investment in Cline to holders of CVRs.

2.4 Net asset value per share

The net asset value ("NAV") per share as at March 31, 2019 was $0.53 compared to $0.52 as at December 31, 2018. NAV per share is a non-IFRS measure defined as shareholders' equity divided by the total number of common shares outstanding at a point in time. The term NAV per share does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. We believe that NAV per share provides information useful to our shareholders in understanding our performance and provides a meaningful measure to evaluate our business relative to others in the investment industry.

2.5 Historical financial information

NAV per share

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Investments at fair value	$ 0.98	$ 0.49	$ 0.46	$ 0.47	$ 0.60	$ 0.64	$ 0.69	$ 0.73
Cash	0.26	0.10	0.44	0.44	0.31	0.27	0.21	0.16
Net other assets (liabilities)	(0.71)	(0.07)	(0.05)	(0.04)	(0.02)	(0.01)	—	—
NAV per share	$ 0.53	$ 0.52	$ 0.85	$ 0.87	$ 0.89	$ 0.90	$ 0.90	$ 0.89

Summary of quarterly operating results

The Company's quarterly operating results for the past eight quarters are set out below.

	For the three months ended							
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Interest income	**$ 660**	$ 653	$ 27	$ 35	$ 59	$ 207	$ 92	$ 73
Expenses	**(681)**	(3,938)	(362)	(523)	(144)	(163)	(121)	(131)
Realized and unrealized gain (loss)	**(577)**	1,245	(7)	25	(64)	79	68	(263)
Deferred tax benefit	**928**	2,790	—	—	—	—	—	—
Total comprehensive income (loss)	**$ 330**	$ 750	$ (342)	$ (463)	$ (150)	$ 123	$ 39	$ (321)
Basic and diluted income (loss) per share	**$ 0.00**	$ 0.02	$ (0.02)	$ (0.03)	$ (0.01)	$ 0.01	$ 0.00	$ (0.02)

Selected annual information

	December 31, 2018	December 31, 2017	December 31, 2016
Total investment income	**$ 774**	$ 427	$ 552
Total operating expenses	**4,967**	520	576
Income (loss) and comprehensive income (loss)	**(204)**	(162)	1,349
Basic and diluted income (loss) per share	**(0.01)**	(0.01)	0.08
Total assets	**51,274**	16,278	16,445

3. RELATED PARTY TRANSACTIONS

In connection with the Arrangement, the Company acquired MLC I in exchange for the issuance of an aggregate of 3,292,952 shares of the Company created pursuant to the Arrangement.

Also in connection with the closing of the Arrangement, the Company acquired USD $7.3 million and $5.1 million of loans sourced from BC Partners, which loans also formed part of the Company's initial seed portfolio.

On November 20, 2018, the Company entered into a servicing agreement (the "Servicing Agreement") with BC Partners. Under the terms of the Servicing Agreement, BC Partners as servicing agent ("Servicing Agent") performs, or oversees the performance of, the administrative services necessary for the operation of the Company. The Company pays fees to the Servicing Agent for services performed for it pursuant to the terms of the Servicing Agreement.

Unless earlier terminated as described below, the Servicing Agreement will remain in effect until November 20, 2020 and shall continue automatically for successive annual periods, if approved annually. The Servicing Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice by the vote of the Board of Directors of the Company or by the Servicing Agent.

On November 28, 2018, the Company entered into a commitment of USD $10 million to invest alongside BC Partners in a unitranche lending program through BCP Great Lakes Holdings LP. Funding of USD $5.0 million was made under this program during the year. The program will underwrite and hold senior secured unitranche loans seeking to build a diverse portfolio of floating rate, sponsor-backed middle-market loans paying a quarterly cash yield.

Certain directors and officers of the Company are affiliated with BC Partners. As at March 31, 2019, 1,327,946 common shares were held by directors and officers of the Company. The total directors' fees paid during the period were $31 (2018 – $37).

Key management personnel include the chief executive officer and the chief financial officer. Compensation paid to the key management and officers affiliated with BC Partners for employee services, based on employment agreements, for the three months ended March 31, 2019 was $105 (2018 – $30).

4. FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

4.1 Liquidity and financing strategy

Our liquidity and capital resources are generated primarily from proceeds from investment sales and principal repayments, income earned on investments, and our revolving credit facility. We may borrow funds to make investments to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities, or if our Board of Directors determines that leveraging our portfolio would be in our best interests and the best interests of our shareholders. Where appropriate, we will raise equity through the public markets to finance our growth and strengthen our financial position.

Revolving Senior Loan Facility

On February 22, 2019, MLC I entered into a Revolving Senior Loan Facility of up to USD $50.0 million. Pursuant to the Revolving Senior Loan Facility, MLC I is initially entitled to borrow from the Lenders, on a revolving basis, up to USD $29.0 million, provided that the amount available under the Revolving Senior Loan Facility will be automatically increased to: (a) USD $36.6 million on the date that is seven months after the

Closing Date; (b) USD $43.3 million on the date that is eight months after the Closing Date; and (c) USD $50.0 million on the date that is nine months after the Closing Date with a one-time facility increase of USD $25.0 million exercisable any time after the advances equal or exceed USD $40.0 million. The outstanding principal amount and accrued but unpaid interest in respect of the Revolving Senior Loan Facility will become payable on the 364th day after the Closing Date, subject to certain adjustments pursuant to the Revolving Senior Loan Facility Agreement.

Working capital
As at March 31, 2019, we have a net working capital deficit of $5,253, reflecting current assets of $25,786, offset by current liabilities of $31,039. As at March 31, 2019, we have a cash balance of $20,922.

Off-balance sheet transactions
Portfolio company commitments
Pursuant to certain lending agreements, we are committed to fund additional loan advances. The funding commitments may expire without being drawn upon, and commitments do not necessarily represent future cash requirements for future earning assets for the Company. We are also committed to provide our proportionate share of additional capital to joint operations in accordance with contractual agreements.

As at March 31, 2019 and December 31, 2018, we had the following outstanding commitments to fund investments in current portfolio companies:

Portfolio Company	Investment	Currency	March 31, 2019 (unaudited)	December 31, 2018
BCP Great Lakes Holdings LP	Unitranche lending program	USD	$ 3,926	$ 5,013
League Collegiate Holdings, LLC	First lien delayed draw term loan	USD	325	325
			$ 4,251	$ 5,338

4.2 Capital resources
Equity issuance
As at March 31, 2019 there were 81,873,130 common shares of the Company issued and outstanding (2018 – 81,873,130).

The Company has no stock options outstanding.

As at March 31, 2019, the Company has 20,468,128 share purchase warrants outstanding with an exercise price of $0.77 per share, exercisable at any time up to October 19, 2025.

As at May 9, 2019, there have been no further changes to any of the outstanding share data.

4.3 Management of capital
The Company includes the following in its capital:

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Shareholders' equity comprised of:					
Share capital	**$ 69,394**	$ 69,394	$ 35,946	$ 35,946	$ 35,946
Warrants	**1,424**	1,424	—	—	—
Contributed surplus	**7,483**	7,483	7,483	7,483	7,483
Deficit	**(35,274)**	(35,601)	(28,402)	(28,060)	(27,598)
	$ 43,027	$ 42,700	$ 15,027	$ 15,369	$ 15,831

The Company's objectives when managing capital are:

1) to ensure that the Company maintains the level of capital necessary to meet its ongoing obligations;
2) to allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
3) to give shareholders sustained growth in shareholder value by increasing shareholders' equity; and
4) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

1) realizing proceeds from the disposition of its investments and fixed income instruments;
2) utilizing leverage in the form of margin or debt financing; and
3) raising capital through equity financings;

The Company is not subject to any capital requirements imposed by a regulator.

5. CRITICAL ACCOUNTING ESTIMATES

5.1 Investments

The Company's investments are classified as fair value through profit or loss and are measured at fair value. Investments held that are traded in an active market, through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers are valued at their closing sale prices. Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs, if available, on such basis and in such manner established by management. The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. These values are periodically assessed by management of the Company to ensure that they are reasonable.

Investments for which reliable quotations are not readily available, or for which there is no bid or ask price, are valued at fair value, as determined using management's best estimates thereof pursuant to procedures established by the Company.

The Company's contingent value rights liability is measured at fair value through profit and loss, and represents a contingent cash entitlement in respect of its investment in Cline.

Investment transactions are recorded on the trade date. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss and are treated as an expense. The change in the difference between fair value and amortized cost of the investments is recorded as an unrealized appreciation or depreciation on investments in the interim consolidated statements of comprehensive income (loss).

Realized gains (losses) on investments are calculated using the average cost method as the difference between the net proceeds received (excluding prepayment fees, if any) and the amortized cost basis of the investment without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the period, net of recoveries. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation with respect to investments realized during the period.

Investment in Cline

The Company, along with affiliates of the Former Manager (the "Group"), holds an investment in the equity and bonds of Cline. Under a restructuring plan involving Cline, approved by the courts in 2015, the Group owns all of the equity and 15% of senior secured bonds of Cline post-restructuring. The fair value of Cline was determined based on future commodity pricing and market scenarios, anticipated capital costs with bringing the mine to production, expected operating costs of the mining resource, expected value of certain Cline assets to be realized on sale, such as equipment and surplus land, and cash utilization. In addition, the estimate of fair value also depends on the assumption regarding the use of a specific market comparables in order to assess the reasonableness of the Company's estimated valuation in Cline. The assumptions are limited by the availability of reliable comparable data, economic uncertainty, and the uncertainty of predictions regarding commodity markets, which may impact the ability of Cline to divest of its mine asset. Accordingly, by their nature, estimates of fair value of this type are subjective and do not necessarily result in precise determinations.

Summarized unaudited financial information for Cline for the years ended November 30, 2018 and 2017 has been provided by Cline and is as follows:

	November 30, 2018	November 30, 2017
Current assets	**$ 1,845**	$ 1,748
Non-current assets	**68,497**	72,453
Liabilities (other than long-term bonds)	**3,284**	2,871
Long-term bonds	**55,000**	55,000
Shareholders' equity	**12,058**	16,330
Revenue	**—**	—
Loss for the year	**(4,271)**	(2,484)

Cline has advised the Company that it plans to manage its continued liquidity utilizing existing current assets and expected proceeds from disposal of surplus assets.

The Company makes estimates related to its Level 3 investments and, in particular its investment in Cline. The estimated fair value of this investment depends upon, among other things, (i) estimates involving anticipated costs and timing associated with bringing the mine to production, which in turn depends upon assumptions regarding coal prices in the future, economic cycles, and the performance of the broader coal mining sector and (ii) assumption regarding the use of a specific market comparables. These assumptions are limited by the availability of reliable comparable data, economic uncertainty, and the uncertainty of predictions regarding commodity markets, which may impact the ability of Cline to divest of its mine asset. Accordingly, by their nature, estimates of fair value of this type are subjective and do not necessarily result in precise determinations. Should the underlying assumptions used by the Company and its Former Manager change, the estimated fair value could change by a material amount.

5.2 Accounting estimates and policies

Accounting estimates

The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates are based on management's historical experience and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates. Refer to the notes to the interim consolidated financial statements for details on critical accounting estimates.

Accounting standards adopted in the current year

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces the existing standards for lease accounting. The new standard sets out a model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with earlier adoption permitted. The adoption of this standard did not have a material impact on the Company's interim consolidated financial statements.

IFRIC interpretation, *IFRIC 23 Uncertainty over Income Tax Treatments*, clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, ("IAS 12") when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. IFRIC 23 is effective for annual report periods beginning on or after January 1, 2019 with earlier adoption permitted. The adoption of this interpretation did not have a material impact on the Company's interim consolidated financial statements.

5.3 Dividend policy

On December 1, 2014, the Company announced that it had suspended its monthly dividend payments on its common shares until further notice. The suspension of the dividend was necessary as the Company could not satisfy Business Corporations Act (Ontario) requirements applicable to the payment of dividends. The declaration of any dividend will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

6. NON-IFRS MEASURES

The Company has included in this MD&A certain supplemental measures of performance. We utilize these measures in managing the business and evaluating its performance. Management believes that adjusted income per share is helpful to investors in assessing the overall performance of the Company's business.

In preparing the adjusted financial information presented in this section, management has eliminated non-recurring items to present a normalized picture of the Company's financial performance. The measures used include:

- Adjusted income and comprehensive income is defined as net income (loss) from continuing operations before transaction costs and non-recurring and non-cash expenses.
- Adjusted basic and diluted income per share is defined as adjusted income and comprehensive income divided by the weighted average common shares outstanding in the period.

For the three months ended		March 31, 2019
Adjusted income and comprehensive income	$	861
Weighted average shares outstanding - basic and diluted		81,873,130
Adjusted income per share - basic and diluted	$	0.01

The table below reconciles the adjusted non-IFRS financial measures reflected in the Company's interim consolidated financial statements for the three months ended March 31, 2019.

For the three months ended		March 31, 2019
Income and comprehensive income	**$**	**330**
Non-recurring adjustments:		
Arrangement costs		183
Transaction costs		41
Net change in unrealized (gain) loss on foreign currency		307
Adjusted income and comprehensive income	**$**	**861**

7. RISK FACTORS

An investment in the securities of the Company is subject to various risks and uncertainties, including those set out below, and in the Company's Annual Information Form for the year ended December 31, 2018 which is available for review under the Company's SEDAR profile at www.sedar.com. Such risks and uncertainties should be carefully considered by an investor before making any investment decision. If any of the possibilities described in such risks actually occurs, the Company's business, financial condition and operating results could be materially adversely affected. Investors should carefully consider the risks and uncertainties described below as well as the other information contained in this MD&A and in the Company's Annual Information Form. The risks and uncertainties described below are not the only ones the Company may face. The following risks, together with additional risks and uncertainties not currently known to the Company or that the Company may deem immaterial, could impair the Company's business, financial condition and results of operations. The market price of the securities of the Company could decline if one or more of these risks and uncertainties develop into actual events, and investors may lose all or part of their investment.

Dependence upon key management

The Company depends on the business and technical expertise of its Board of Directors and its key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required. The Company, through the Board of Directors, may not be able to attract and retain additional qualified personnel and this would have a negative effect on the Company's operations.

No operating history for the Company's new strategy

Following the completion of the Arrangement, the Company changed its investment strategy from a focus on natural resource lending to a broader lending-oriented credit platform. Prior to the Arrangement, the Company did not have any record of operating under an investment strategy with a focus on broader lending-oriented credit platform. As such, the Company is subject to all of the business risks and uncertainties associated with the broadening of its business, including the risk that the Company will not achieve its financial objectives as estimated by its management. Furthermore, past successes of the Board of Directors in other ventures do not guarantee future successes.

No assurance of profitability

There is no assurance that the Company will earn profits in the future, or that profitability will be sustained. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its operations accordingly.

Risks of fluctuations in the value of the Company and its Shares

The net asset value and market value of the Company's shares will fluctuate with changes in the market value of the Company's investments. Such changes in value may occur as the result of various factors, including general economic and market conditions, the performance of corporations who have borrowed from the Company and changes in interest rates which may affect the value of interest-bearing securities owned by the Company. An investment in the Company is speculative and may result in the loss of a substantial portion of a shareholder's investment. Only shareholders who are experienced in high risk investments should consider an investment in the Company.

The Company will be exposed to risks associated with changes in interest rates

The Company is subject to financial market risks, including changes in interest rates. General interest rate fluctuations may have a substantial negative impact on the Company's investments and investment opportunities and, accordingly, have a material adverse effect on its ability to achieve its investment objectives and its target rate of return on invested capital. In addition, an increase in interest rates would make it more expensive to use debt for the Company's financing needs, if any.

No current market for warrants or contingent value rights

There is currently no market through which the warrants or CVRs may be sold, and such a market may not develop, therefore, holders may not be able to resell the warrants or CVRs. This may affect the pricing of the warrants and the CVRs in the secondary market, the transparency and availability of trading prices, the liquidity of the warrants or CVRs and the extent of issuer regulation. The Company does not intend to apply to list the warrants or CVRs on any stock exchange.

Financing risks

Additional funding will be required for the Company to acquire and source new loans. There is no assurance that any such funds will be available or available on favorable terms. Failure to obtain additional financing, if required, on a timely basis, could cause the Company to reduce or delay its proposed operations. The primary source of funds currently available to the Company is derived from the issuance of equity and under the Facility. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Credit risks

The assets and other debt securities in which the Company invests are subject to credit and liquidity risk. Any loan investment may become a defaulted obligation for a variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents. A defaulted loan may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such defaulted loan. In addition, such negotiations or restructuring may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted loan. In addition, substantial costs and resources in such situations may be imposed on the Company, further affecting the value of the investment. The liquidity in defaulted loans may also be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the net asset value and consequently, the market value of the Company's shares.

Due diligence risks

The due diligence process undertaken by the Company in connection with investments that it makes or wishes to make, may not reveal all relevant facts in connection with an investment. Before making investments, the Company will conduct due diligence investigations that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence investigations, the Company may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence investigations and making an assessment regarding an investment, the Company relies on resources available, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence investigations that are carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary.

Price declines in the medium- and large-sized corporate debt market may adversely affect the fair value of the Company's portfolio, reducing the net asset value through increased net unrealized depreciation

Conditions in the medium- and large-sized corporate debt market may deteriorate, as seen during the recent financial crisis, which may cause pricing levels to similarly decline or be volatile. During the financial crisis, many institutions were forced to raise cash by selling their interests in performing assets in order to satisfy margin requirements or the equivalent of margin requirements imposed by their lenders and/or, in the case of hedge funds and other investment vehicles, to satisfy widespread redemption requests. This resulted in a forced deleveraging cycle of price declines, compulsory sales, and further price declines, with falling underlying credit values, and other constraints resulting from the credit crisis generating further selling pressure. If similar events again occurred in the medium- and large-sized corporate debt market, the net asset value could decline through an increase in unrealized depreciation and incurrence of realized losses in connection with the sale of the Company's investments, which could have a material adverse impact on the Company's business, financial condition and results of operations.

Financing of mid-market businesses

The Company's loan portfolio consists and is expected to consist primarily of loans provided to mid-market businesses, including privately-owned companies, many of which do not publicly report their financial condition and are not subject to the same accounting rules and securities laws that govern disclosure and financial controls of public companies. Compared to larger, publicly-traded companies, loans offered to these types of businesses may carry more inherent risk. Borrowers of the Company may generally have limited access to capital and have higher funding costs. Such businesses may need more capital to expand or compete and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Mid-market businesses may also have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, because many of the borrowers of the Company will not publicly report their financial condition and may not have sophisticated financial controls and oversight, the Company is more susceptible to a client's misrepresentation. The failure of a borrower to accurately report its financial position could result in the Company providing loans to a borrower that does not meet the Company's underwriting criteria, defaults on payments owing to the Company, the loss of some or all of the principal of a loan, or non-compliance by a borrower with applicable covenants. Accordingly, loans offered to these types of businesses involve higher risk than loans offered to larger businesses with greater financial resources or that are otherwise able to access traditional credit sources.

Dependence on the performance of borrower clients

The Company is dependent on the operations, assets and financial health of borrowers to which it directly and indirectly provides capital. If the financial performance of borrowers decline, cash payments to the Company will likely decline. The failure of any borrower to fulfill its payment obligations to the Company could adversely affect the Company's financial condition and cash flow.

Risks facing borrower clients

Each borrower client is also subject to risks which affects their financial condition. As the Company is not be privy to all aspects of its clients' businesses, it is impossible to predict exactly what risks borrowers will face. Nonetheless, typical risks include the following: (i) the success of the Company's borrowers may depend on the management talents and efforts of certain key persons or a small group of persons. The death, disability or resignation of one or more of these persons could have a material adverse effect on a borrower; (ii) borrowers may require additional working capital to carry out their business activities and to expand their businesses. If such working capital is not available, or is not available on beneficial terms, the financial performance and development of the businesses of the borrowers may be adversely affected; (iii) damage to the reputation of the borrowers' brands could negatively impact consumer opinion of those businesses or their related products and services, which could have an adverse effect on their business; (iv) borrowers may face competition, including competition from companies with greater financial or other resources, more extensive development, manufacturing, marketing, and other capabilities. There can be no assurance that the Company's borrower clients will be able to successfully compete against their competitors or that such competition will not have a material adverse effect on their businesses; (v) borrowers may experience reduced revenues from the loss of one or more customers representing a high percentage of their revenues; (vi) borrowers may experience reduced revenues due to an inability to meet regulatory requirements, or may experience losses of revenues due to unforeseeable changes in regulations imposed by various levels of government; (vii) borrowers may rely on government or other subsidy programs for revenue or profit generation. Changes to or elimination of such programs may have an adverse effect on the borrower; and (viii) borrowers may derive some of their revenues from foreign sources and may experience negative financial results based on foreign exchange losses, hedging costs or foreign investment restrictions.

Prepayment by borrower client

Certain of the loans provided by the Company may be prepayable by the borrowers, subject to prepayment penalties. The Company is unable to predict if or when a borrower will make a prepayment. Typically, a borrower's decision to prepay depends on its continued positive economic performance and the existence of favorable financing market conditions that permit the borrower to replace its existing financing with less expensive capital. As market conditions change frequently, it is difficult to predict if or when a borrower may deem market and business conditions to be favorable for prepayment. Prepayment by a borrower may have the effect of reducing the achievable yield of the loan to a level below that which was anticipated by the Company. Such a reduction may occur when the Company is unable to invest the funds prepaid by the borrower in other transactions with an expected yield greater than or equal to the yield the Company expected to receive from the prepaying borrower.

Default by and bankruptcy of a borrower client

A borrower's failure to satisfy its borrowing obligations, including any covenants imposed by the Company, could lead to defaults and the termination of the borrower's loans and enforcement against its assets. In order to protect and recover its investments, the Company may be required to bear significant expenses (including legal, accounting, valuation and transaction expenses) to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting borrower. In certain circumstances, a borrower's default under one loan could also trigger cross-defaults under other agreements and jeopardize that borrower's ability to meet its obligations under a loan agreement it may have with the Company.

Second priority liens on collateral securing debt investments that the Company makes to its portfolio companies may be subject to control by senior creditors with first priority liens. If there is a default, the value of the collateral may not be sufficient to repay in full both the first priority creditors and the Company

Certain debt investments that the Company makes in portfolio companies may be secured on a second priority basis by the same collateral securing first priority debt of such companies. The first priority liens on the collateral will secure the portfolio Company's obligations under any outstanding senior debt and may secure certain other future debt that may be permitted to be incurred by the Company under the agreements governing the loans. The holders of obligations secured by the first priority liens on the collateral will generally control the liquidation of and be entitled to receive proceeds from any realization of the collateral to repay their obligations in full before us. In addition, the value of the collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the debt obligations secured by the second priority liens after payment in full of all obligations secured by the first priority liens on the collateral. If such proceeds are not sufficient to repay amounts outstanding under the debt obligations secured by the second priority liens, then the Company, to the extent not repaid from the proceeds of the sale of the collateral, will only have an unsecured claim against the Company's remaining assets, if any. The rights the Company may have with respect to the collateral securing the debt investments it makes to its portfolio companies with senior debt outstanding may also be limited pursuant to the terms of one or more intercreditor agreements that the Company enters into with the holders of senior debt. Under such an intercreditor agreement, at any time that obligations that have the benefit of the first priority liens are outstanding, any of the following actions that may be taken in respect of the collateral will be at the direction of the holders of the obligations secured by the first priority liens: the ability to cause the commencement of enforcement proceedings against the collateral; the ability to control the conduct of such proceedings; the approval of amendments to collateral documents; releases of liens on the collateral; and waivers of past defaults under collateral documents. The Company may not have the ability to control or direct such actions, even if its rights are adversely affected. Collateral securing the Company's loans

Where the loans provided by the Company are secured by a lien on specified collateral of the borrower (particularly inventory, receivables and tangible fixed assets), there is no assurance that the Company will have obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect the Company from suffering a partial or complete loss if the loan becomes non-performing and the Company moves to enforce against the collateral. In such event, the Company could suffer losses that could have a material adverse effect. In addition, during its underwriting process, the Company will make an estimate of the value of the collateral. A decrease in the market value of collateral assets at a rate greater than the rate projected by the Company may adversely affect the current realization values of such collateral. The degree of realization risk varies by the business of the borrower and the nature of the security.

Control over borrower clients
The Company will not always be in a position to exercise control over its borrower clients or prevent decisions by the management or shareholders of a borrower that may affect the fair value of the Company loan, or otherwise affect the ability of the borrower to repay its obligations to the Company. Furthermore, the Company does not intend to take significant equity positions in its borrower clients. The lack of liquidity of debt positions that the Company will typically hold in its borrower clients results in the risk that the Company may not be able to dispose of its exposure to the borrower in the instance where a borrower is underperforming. This could have a material adverse effect on the Company.

Securities of borrower clients
The Company anticipates lending to both public and private companies, which may include bonus features granting the Company securities of the client. The securities issued by private companies will be subject to legal and other restrictions on resale or will be otherwise less liquid than publicly traded securities. To the extent the Company receives any form of securities issued by private companies, it may be difficult for the Company to dispose of such holdings if the need arises. Furthermore, if the Company is required to liquidate all or a portion of the securities it holds in an illiquid company, it may realize significantly less than the value at which it had previously recorded its holdings. In addition, the Company may face restrictions imposed by securities law on its ability to liquidate or otherwise trade in securities of a borrower client, including, where the Company obtains material non-public information regarding such borrower.

Material Non-Public Information
Certain of the Company's directors, officers or employees, and their respective affiliates, may serve as directors of, or in a similar capacity with, its borrowers. In the event that material non-public information is obtained with respect to its borrowers, such persons may become subject to trading restrictions under the internal trading policies of those companies or as a result of applicable law or regulations. As a result, the Company could be prohibited for a period of time from selling the securities of a borrower, to the extent it owns any, and such a prohibition could have a material adverse effect on the Company.

Illiquidity of loans
Due to the nature of the Company's financing strategy and portfolio, certain loans may have lengthy terms and may be outstanding for a substantial period of time before they are repaid or can be liquidated under conditions preferable to the Company or, in some cases, at all. Illiquid investments carry the risk that a buyer may not be found for such investments. Also, certain of the loans expected to be offered by the Company may be subject to legal or contractual restrictions which may impede the Company's ability to dispose of such assets which it might otherwise desire to do. To the extent that there is no liquid trading market for these loans, the Company may be unable to liquidate these assets or may suffer a loss.

Payment In Kind Interest
Some of the loans and debt securities made by the Company may contain a payment in kind, or PIK, interest provision. Loans with a PIK provision carry additional risk as the Company will not receive cash until such time as the "cash payment date" is reached (unless a portion of such loan is sold). If a borrower whose loan contains a PIK provision defaults, the Company may obtain no return on its investment.

Changes in strategies
The Company may alter its business strategies at any time without notice to its shareholders and there is no guarantee that such changes will yield similar or improved returns, if any.

There may be conflicts of interest related to obligations that the management has to other clients
Certain of the Company's directors and officers serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business (notably BC Partners) as the Company does, or of investment funds managed by the same personnel. In serving in these multiple capacities, they may have obligations to other clients or investors in those entities, the fulfillment of which may not be in the Company's best interests or in the best interest of its stakeholders. The Company's investment objective may overlap with the investment objectives of such investment funds, accounts or other investment vehicles. Certain of the Company's directors, officers and employees and certain of the Company's affiliates will have conflicts of interest in allocating their time between the Company and other activities in which they are or may become involved, including the management of BC Partners' affiliated funds. Directors and officers of the Company with conflicts of interest will be subject to and required to comply with the procedures set out in the *Business Corporations Act (Ontario)* and other applicable legislation, regulations, rules and policies.

Future use of leverage and changes in interest rates may affect the Company's cost of capital and net investment income
Since the Company uses debt to finance a portion of its investments, its net investment income depends, in part, upon the difference between the rate at which it borrows funds and the rate at which it invests those funds. As a result, the Company can offer no assurance that a significant change in market interest rates will not have a material adverse effect on the Company's net investment income. In periods of rising interest rates when the Company has debt outstanding, the Company's cost of funds will increase, which could reduce its net investment income. The Company expects that its long-term fixed-rate investments will be financed primarily with equity and long-term debt. The Company may use interest rate risk management techniques in an effort to limit its exposure to interest rate fluctuations. These activities may limit the Company's ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on the Company's business, financial condition and results of operations.

The ability of the Company to service any future outstanding debt depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures. The amount of leverage that the Company employs at any particular time will depend on its assessments of market and other factors at the time of any proposed borrowing. As a result of the Company's use of leverage: (i) the common shares of the Company may be exposed to incremental risk of loss and a decrease in the value of the Company's loan portfolio would have a greater negative impact on the value of the common shares than if the Company did not use leverage; (ii) adverse changes in interest rates could reduce or eliminate the incremental income the Company receives from the proceeds of any leverage; (iii) the Company and, indirectly, its Shareholders, bear the entire cost of paying interest and repaying any borrowed funds; (iv) the Company's ability to pay dividends on the its common shares may be restricted by covenants or other restrictions imposed by its lenders; (v) the Company's ability to amend its organizational documents or other agreements may be restricted if such amendments would result in a material adverse effect on its lenders; and (vi) the Company may, under some circumstances, be required to dispose of its assets under unfavorable market conditions in order to maintain its leverage, thus causing the Company to recognize a loss that might not otherwise have occurred. The extent to which the gains and losses associated with leveraged investing are increased will generally depend on the degree of leverage employed.

The Company may acquire various financial instruments for purposes of "hedging" or reducing its risks, which may be costly and ineffective and could reduce its cash available for distribution to its shareholders

The Company may seek to hedge against interest rate and currency exchange rate fluctuations and credit risk by using financial instruments such as futures, options, swaps and forward contracts. These financial instruments may be purchased on exchanges or may be individually negotiated and traded in over-the-counter markets. Use of such financial instruments for hedging purposes may present significant risks, including the risk of loss of the amounts invested. Defaults by the other party to a hedging transaction can result in losses in the hedging transaction. Hedging activities also involve the risk of an imperfect correlation between the hedging instrument and the asset being hedged, which could result in losses both on the hedging transaction and on the instrument being hedged.

Use of hedging activities may not prevent significant losses and could increase the Company's losses. Further, hedging transactions may reduce cash available to pay distributions to its Shareholders.

Capital markets may experience periods of disruption and instability.

These market conditions could materially adversely affect the Company's business, financial condition and results of operations. The Canadian, U.S., and global capital markets have in the past and may in the future experience periods of volatility and disruption during economic downturns and recessions.

While credit markets and the United States economy have experienced relative stability since the global financial crisis from 2007-2009, there can be no assurance that market conditions will remain or improve further in the near future. Such periods of disruption may be accompanied by depressed levels of consumer and commercial spending, a lack of liquidity in debt capital markets, significant write-offs in the financial services sector and the re-pricing of credit risk. The Company and the portfolio companies in which it invests may be adversely affected by these deteriorations in the financial markets and economic conditions throughout the world.

A weak economy could impact the quality, quantum and frequency of the deals available to the Company. Adverse economic conditions also may decrease the estimated value of the collateral securing the Company's financing structures. Further or prolonged economic slowdowns or recessions could lead to financial losses in the Company's loan portfolio and a decrease in the Company's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in global financial markets, could have a material adverse effect on the Company.

Competitive business environment

The Company's ability to acquire new financing opportunities could be significantly affected by the activities of other industry participants. New competitors may enter the credit industry in which the Company operates, or current market participants may significantly increase their activities in this area. There can be no assurance that the Company will be able to compete effectively with its competitors in connection with the acquisition or origination of new financing opportunities. If these or other competitors were to engage in aggressive pricing policies, the Company may have difficulty originating new financing opportunities or could be forced to offer lower rates, both of which could have a material adverse effect on the Company. Some of the Company's competitors offer a broader range of financing services than the Company and can leverage their existing relationships to offer and sell services that compete directly with the Company's services. Further, the Company's competitors may have greater financial, technical, marketing and other resources, and may have greater access to lower cost capital. As a result of competition, the Company may not be able to attract new borrowers or sustain the rate of growth that the Company expects to achieve. As a result, the Company's ability to profitably expand its loan portfolio may decline.

Because the Company's business model depends to a significant extent upon relationships with private equity sponsors, investment banks and commercial banks, the inability of the Company to maintain or develop these relationships, or the failure of these relationships to generate investment opportunities, could adversely affect the Company's business

The Company depends on its broader organization's relationships with private equity sponsors, investment banks and commercial banks, and the Company relies to a significant extent upon these relationships to provide it with potential investment opportunities. If the Company or its organizations fails to maintain their existing relationships or develop new relationships with other sponsors or sources of investment opportunities, the Company may not be able to grow its investment portfolio. In addition, individuals with whom the Company or its broader organizations have relationships are not obligated to provide the Company with investment opportunities, and, therefore, there is no assurance that such relationships will generate investment opportunities for the Company.

Inability to realize potential benefits from growth

The Company's inability to realize the potential benefits from its growth strategy may adversely impact its operating results. The Company's ability to realize such benefits will be based on its management of growth and will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. The Company's ability to manage its growth will depend in large part upon a number of factors, including the ability of the Company to rapidly: (i) secure additional sources of funding to fund new loans, while maintaining a prudent capital structure for the Company; and (ii) attract and retain qualified personnel in order to continue to develop the Company's pipeline of investment opportunities and provide services that respond to evolving financing needs. The Company's inability to achieve any of these objectives could have a material adverse effect on the Company.

Changes in laws or regulations governing the Company's operations may adversely affect the Company's business or cause the Company to alter its business strategy

The Company and its portfolio companies will be subject to regulation at the municipal, local, state, provincial, and federal level. New legislation may be enacted, or new interpretations, rulings or regulations could be adopted, including those governing the types of investments the Company is permitted to make, any of which could harm the Company and its Shareholders, potentially with retroactive effect. Additionally, any changes to the laws and regulations governing the Company's operations relating to permitted investments may cause the Company to alter its investment strategy to avail itself of new or different opportunities. Such changes could result in material differences to the Company's strategies and may result in the Company's investment focus shifting from the areas of expertise of the Company to other types of investments in which the Company may have less expertise or little or no experience. Thus, any such changes, if they occur, could have a material adverse effect on the Company's financial condition and results of operations.

Any changes in tax regulations or tax reform may have an adverse impact on investors in the Company's shares

Given the Company is expected to have investment holdings in both Canada and the U.S., there is potential that potential tax changes in Canada or the U.S. could result in adverse effects on the Company's financial results and share price. The Company cannot predict how changes in tax legislation will affect the Company, the Company's business, or the business of its portfolio companies but these provisions may in certain circumstances increase the tax burden on the Company's portfolio companies, which, in turn, could negatively affect their ability to meet their borrowing obligations to the Company.

The Company may experience fluctuations in its quarterly results

The Company could experience fluctuations in its quarterly operating results due to a number of factors, including its ability or inability to make investments in companies that meet its investment criteria, the interest rate payable on the debt securities it acquires, the level of its expenses (including the Company's borrowing costs), variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which it encounters competition in its markets and general economic conditions. As a result of these factors, results for any previous period should not be relied upon as being indicative of performance in future periods.

A significant portion of the Company's investment portfolio is and will be recorded at fair value as determined in good faith by the Board of Directors and, as a result, there is and will be uncertainty as to the value of the Company's portfolio investments

The Company is expected to be required to carry its portfolio investments at market value or, if there is no readily available market value, at fair value as determined by the Board of Directors. There is not a public market for the securities of the privately-held companies in which the Company invests. Most of the Company's investments will not be publicly traded or actively traded on a secondary market. As a result, the Company values these securities quarterly at fair value as determined in good faith by the management team and Board of Directors. Certain factors that may be considered in determining the fair value of the Company's investments include investment dealer quotes for securities traded on the secondary market for institutional investors, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments on its indebtedness, the markets in which the portfolio company does business, comparison to comparable publicly traded companies, discounted cash flow and other relevant factors. As a result, the Company's determinations of fair value may differ materially from the values that would have been used if a ready market for these nontraded securities existed. Due to this uncertainty, the Company's fair value determinations may cause the net asset value of the Company on a given date to materially differ from the value that it may ultimately realize upon the sale of one or more of its investments.

No guarantee as to timing or amount of dividends

Holders of the Company's Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors, even if the Company has sufficient distributable cash to pay such dividends. The declaration of any dividend will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. The Company may not declare or pay a dividend if there are reasonable grounds to believe that (i) it is, or after the payment would be, unable to pay its liabilities as they become due, or (ii) the realizable value of its assets would thereby be less than the aggregate of its liabilities, including those arising in the ordinary course of business. Dividends are not guaranteed, and the amount of any dividend may fluctuate or be reduced or eliminated. There can be no assurance as to the levels of dividends to be paid by the Company, if any. The market value of the common shares may deteriorate if the Company is unable to pay dividends in accordance with its intended dividend strategy, or not at all, and such deterioration may be material.

Given the nature of the Company's activities, its results of operations and financial condition are dependent upon the market value of the securities that comprise the Company's portfolio.

Market value of portfolio companies can be reflective of the actual or anticipated operating results and/or the general market conditions that affect the sectors in which the Company invests. There are various factors that could affect these sectors which could have a negative impact on the Company's portfolio companies and thereby have an adverse effect on its business. Additionally, macroeconomic factors such as fluctuations in commodity prices and global political, economic and market conditions could have an adverse effect on one or more sectors to which the Company is exposed, and a disproportionate effect on the sectors as compared to the overall market, thereby negatively impacting one or more of the portfolio companies concurrently.

Cash Flows/Investment Income
The Company generates income and cash flows primarily from interest and dividends from its portfolio investments, from financing activities and from proceeds from the disposition of its investments. The availability of these sources of funds and the amount of funds generated from these sources are dependent upon various factors, most of which are outside of the Company’s direct control. The Company’s liquidity and operating results may be adversely affected if access to the capital markets is hindered, whether as a result of a downturn in the market conditions generally or to matters specific to the Company, or if the value of the Company’s investments decline, resulting in lesser proceeds of disposition and capital losses for the Company upon disposition.

Foreign Exchange Risk
A portion of the Company’s portfolio is invested in U.S. dollar-denominated investments and debt instruments. To the extent that such exposure is not hedged, changes in the value of the foreign currencies in which the Company investments are denominated could have a negative impact on the ultimate return on the Company’s investments and overall financial performance.

Cline Mining Corporation – Valuation Risk
The Company has investments in equity and bonds of Cline. Under a restructuring plan filed by Cline which has been approved by the courts, the Company, along with other entities related to the Former Manager own all of the equity of the restructured Cline entity. The Former Manager is working toward the objective of maximizing the return to the holders of securities in Cline. The Company has valued its investments in Cline at the estimated fair value which resulted in no write down of the investments during the years ended December 31, 2018 and 2017. The valuation is based on a number of assumptions relating to, among other things, the expected price of coal, estimates of capital costs to bring the mine into production, expected operating costs for the mine, anticipated cash flows and the cost of available capital. In addition, the Company’s ability to realize the value of its holdings is dependent on the Former Manager’s ability to operate or arrange for the sale of Cline. If the assumptions used in determining estimated realizable value change or if economic conditions continue to be negative for a long period of time, further valuation adjustments may be required.

The Company is required to make estimates related to its Level 3 investments and, in particular its investment in Cline. The estimated fair value of this investment depends upon, among other things, estimates involving anticipated costs and timing associated with bringing the mine to production, which in turn depends upon assumptions regarding coal prices in the future, economic cycles, and the performance of the broader coal mining sector. In addition, the estimate of fair value also depends upon the assumption regarding the use of a specific market comparable to assess the reasonableness of the Company’s valuation of its investment in Cline. The assumptions are limited by the availability of reliable comparable data, economic uncertainty, and the uncertainty of predictions regarding commodity markets which may impact the ability of Cline to divest of its mine asset. Accordingly, by their nature, estimates of fair value of this nature are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated fair value could change by a material amount.

8. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports and recorded, processed, summarized and reported within the time periods specified as required by securities regulations. Management has evaluated the operating effectiveness of the Company’s disclosure controls and procedures as at March 31, 2019 and, given the size of the Company and the involvement at all levels of the Chief Executive Officer and Chief Financial Officer, believes that they are sufficient to provide reasonable assurance that the Company’s disclosures are compliant with securities regulations.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, the Company’s internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. Management has assessed the operating effectiveness of the Company’s internal control over financial reporting and concluded that such internal controls are appropriately designed and operating effectively as at March 31, 2019.

During the three months ended March 31, 2019, there were no changes to policies, procedures and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, our internal control over financial reporting. Such controls and procedures are subject to continuous review and changes to such controls and procedures may require management resources and systems in the future.