MOUNT LOGAN CAPITAL INC.

Interim Consolidated Financial Statements

September 30, 2019

(Unaudited)

MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Notes	September 30, 2019	December 31, 2018
		(unaudited)	(as restated - note 2(a))
Assets			
Investments, at fair value	3	$ 64,282	$ 29,282
Cash		1,789	5,882
Restricted cash		3,437	—
Accrued interest and dividend receivable		410	328
Deferred tax asset	9	2,808	2,044
Prepaid expenses		2	27
Total assets		**$ 72,728**	**$ 37,563**
Liabilities			
Credit facility (net of deferred financing costs of $213 and $0, respectively)	8	$ 34,187	$ —
Interest payable		350	—
Contingent value rights	7	3,801	5,823
Accounts payable and accrued liabilities		288	458
Total liabilities		38,626	6,281
Shareholders' equity			
Share capital	6	80,988	79,744
Warrants	6	1,086	1,086
Contributed surplus		7,240	7,240
Deficit		(32,694)	(33,312)
Cumulative translation adjustment	2	(22,518)	(23,476)
Total shareholders' equity		34,102	31,282
Total liabilities and shareholders' equity		**$ 72,728**	**$ 37,563**
Common shares issued and outstanding		**84,841,880**	**81,873,130**
Net asset value per share		**$ 0.40**	**$ 0.38**

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors

/s/ Edward (Ted) Goldthorpe

Edward (Ted) Goldthorpe
Chief Executive Officer and Chairman

/s/ Graeme Dell

Graeme Dell
Chairman of Audit Committee

MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Notes	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018 (as restated - note 2(a))	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018 (as restated - note 2(a))
Investment income					
Interest income		$ 839	$ 21	$ 2,166	$ 94
Dividend income		140	—	258	—
Fee income		11	—	11	—
Total investment income		**990**	**21**	**2,435**	**94**
Operating expenses					
Management and servicing fees		—	17	—	51
Arrangement costs		—	—	166	—
Interest and other credit facility expenses		484	—	1,052	—
Professional fees		93	188	360	529
Directors' fees		24	19	72	64
Regulatory and shareholder relations		88	33	146	74
Other general and administrative		129	22	331	81
Total operating expenses		**818**	**279**	**2,127**	**799**
Net investment income (loss)		**172**	**(258)**	**308**	**(705)**
Realized and unrealized gain (loss)					
Net realized gain (loss) on investments		193	(135)	252	(323)
Net realized gain (loss) on foreign currency		(20)	1	(20)	17
Net change in unrealized appreciation (depreciation) on investments		(4)	128	137	319
Net change in unrealized gain (loss) on foreign currency		339	1	(756)	(49)
Total net realized and unrealized gain (loss)		**508**	**(5)**	**(387)**	**(36)**
Income (loss) and comprehensive income (loss) before income tax		**680**	**(263)**	**(79)**	**(741)**
Income tax / recovery deferred	9	2	—	697	—
Income (loss) and comprehensive income (loss)		**$ 682**	**$ (263)**	**$ 618**	**$ (741)**
Weighted average shares outstanding – basic and diluted		**82,100,662**	**17,702,767**	**82,543,493**	**17,702,767**
Income (loss) per share – basic and diluted		**$ 0.01**	**$ (0.01)**	**$ 0.01**	**$ (0.04)**

The accompanying notes are an integral part of these interim consolidated financial statements.

MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of United States dollars, except number of shares)
(unaudited)

2019	Notes	Number of Voting Common Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Cumulative Translation Adjustment	Total Equity
Balance at December 31, 2018 (as restated - note 2(a))		**81,873,130**	**$ 79,744**	**$ 1,086**	**$ 7,240**	**$ (33,312)**	**$ (23,476)**	**$ 31,282**
Share issuance		2,968,750	1,264	—	—	—	—	1,264
Offering costs		—	(20)	—	—	—	—	(20)
Comprehensive income		—	—	—	—	618	958	1,576
Balance at September 30, 2019		**84,841,880**	**$ 80,988**	**$ 1,086**	**$ 7,240**	**$ (32,694)**	**$ (22,518)**	**$ 34,102**

2018	Notes	Number of Voting Common Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Cumulative Translation Adjustment	Total Equity
Balance at December 31, 2017 (as restated - note 2(a))		**17,702,767**	**$ 54,218**	**$ —**	**$ 7,240**	**$ (27,076)**	**$ (21,725)**	**$ 12,657**
Comprehensive loss		—	—	—	—	(737)	(278)	(1,015)
Balance at September 30, 2018 (as restated - note 2(a))		**17,702,767**	**$ 54,218**	**$ —**	**$ 7,240**	**$ (27,813)**	**$ (22,003)**	**$ 11,642**

The accompanying notes are an integral part of these interim consolidated financial statements.

MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of United States dollars)
(unaudited)

	Notes	For the Nine Months Ended September 30, 2019	2018 (as restated - note 2(a))
Cash flows from operating activities:			
Comprehensive income (loss)		$ 618	$ (741)
Adjustments to reconcile net cash provided by (used in) operating activities:			
Net realized (gains) losses		(252)	323
Net realized (gain) loss on foreign currency		20	(17)
Net change in unrealized (appreciation) depreciation		(137)	(319)
Net change in unrealized (appreciation) depreciation on foreign currency		756	49
Net foreign currency settlements		—	41
Payment in-kind interest		(221)	—
Amortization of debt issuance costs		319	—
(Increase) decrease in operating assets:			
Accrued interest and dividend receivable		(82)	56
Deferred tax assets		(764)	—
Prepaid expenses		25	—
Increase (decrease) in operating liabilities:			
Interest payable		350	—
Accounts payable and accrued liabilities		(170)	508
Net cash provided by (used in) operating activities		**462**	**(100)**
Cash flows from financing activities:			
Proceeds from issuance of common shares		1,264	—
Offering costs		(20)	—
Borrowings on debt	8	34,400	—
Debt issuance costs	8	(532)	—
Net cash provided by financing activities		**35,112**	**—**
Cash flows from investing activities:			
Purchases of investments		(57,947)	—
Proceeds from sales and repayments of investments		21,717	2,406
Net cash (used in) provided by investing activities		**(36,230)**	**2,406**
Net increase (decrease) in cash and restricted cash		(656)	2,306
Cash and restricted cash, beginning of period		5,882	3,796
Cash and restricted cash, end of period		**$ 5,226**	**$ 6,102**
Supplemental information			
Interest received		$ 2,084	$ 150
Interest paid		$ 380	$ —
Amounts per statements of financial position			
Cash		$ 1,789	$ 6,102
Restricted cash		3,437	—
Total cash and restricted cash		**$ 5,226**	**$ 6,102**

The accompanying notes are an integral part of these interim consolidated financial statements.

MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED SCHEDULE OF INVESTMENT PORTFOLIO

September 30, 2019
(in thousands of United States dollars, except shares)
(unaudited)

Company[6]	Investment	Spread Above Index[1]	Interest	Maturity Date	Currency	Par / Shares	Amortized Cost	Fair Value
Debt investments								
Loans								
Consumer								
League Collegiate Holdings, LLC[2]	First Lien Loan	L+475	6.88%	5/1/2024	USD	$ 4,950	$ 4,945	$ 4,820
League Collegiate Holdings, LLC[3][4][5]	First Lien Delayed Draw Term Loan	L+475	1.00%	5/1/2024	USD	—	(4)	(12)
SW Ingredients Holdings, LLC[2]	First Lien Loan	L+400	6.21%	7/3/2025	USD	4,950	4,947	4,931
Standard Farms, LLC[7]	First Lien Loan	NA	15.00%	11/9/2019	USD	1,750	1,478	1,560
Welcome Dairy, LLC	First Lien Loan	L+450	7.54%	6/28/2025	USD	1,767	1,753	1,749
Welcome Dairy, LLC[3][4][5]	First Lien Delayed Draw Term Loan	NA	0.50%	6/28/2025	USD	—	(1)	(2)
Total consumer							13,118	13,046
Financials								
Acrisure, LLC[2]	First Lien Loan	L+425	6.35%	11/22/2023	USD	3,970	3,967	3,965
Alera Group Intermediate Holdings, Inc.[2]	First Lien Loan	L+450	6.54%	8/1/2025	USD	3,970	3,978	3,997
CION Investment Group, LLC[7]	Promissory Note	NA	8.00%	6/30/2029	USD	3,007	3,007	3,007
Total financials							10,952	10,969
Healthcare								
Radiology Partners, Inc.	First Lien Loan	L+475	7.06%	7/9/2025	USD	1,447	1,443	1,431
Total health care							1,443	1,431
Industrials								
PHI, Inc.	First Lien Loan	L+700	9.04%	9/4/2024	USD	2,225	2,190	2,180
TCP Sunbelt Acquisition Co.[2]	First Lien Loan	L+450	6.60%	5/31/2024	USD	4,958	4,953	4,867
Wesco Group, LLC[2]	First Lien Loan	L+425	6.61%	6/15/2024	USD	3,465	3,461	3,432
Total industrials							10,604	10,479
Information technology								
The Dun & Bradstreet Corporation[2]	First Lien Loan	L+500	7.05%	2/9/2026	USD	5,000	4,999	5,044
Idera, Inc.	First Lien Loan	L+450	6.55%	6/28/2024	USD	3,092	3,081	3,090
Gladson, LLC	First Lien Loan	L+550	7.54%	10/24/2024	USD	1,984	1,948	1,945
Teneo Holdings LLC	First Lien Loan	L+525	7.29%	7/12/2025	USD	5,000	4,843	4,800
Total information technology							14,871	14,879
Total loans							**50,988**	**50,804**
Bonds								
Cline Mining Corporation[7]				7/8/2022	CAD	8,304	6,270	3,801
Total bonds							**6,270**	**3,801**
Total debt investments							**57,258**	**54,605**
Equity investments								
BCP Great Lakes Holdings LP[7]					USD		9,655	9,676
Cline Mining Corporation[7]					CAD	2,075,595	403	—
Total equity investments							**10,058**	**9,676**
Total investments							**$ 67,316**	**$ 64,281**

(1) Loan contains a variable rate structure that bears interest at a rate that may be determined by reference to the London Interbank Offered Rate ("LIBOR") (which can include one-, two- three- or six-month LIBOR) and which reset periodically based on the terms of the loan agreement.

(2) The interest rate on these loans is determined in reference to 1-month, 3-month or 6-month LIBOR.

(3) Position is an unfunded loan commitment. See Note 12 "Commitments and Contingencies".

(4) The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value is the result of the capitalized discount on the loan.

(5) The maturity date represents the commitment period of the unfunded term loan.

(6) Unless otherwise indicated, the Company's portfolio companies are pledged as collateral to secure Great Lakes Senior MLC I LLC's debt obligation outstanding under the Facility and Security Agreement.

(7) Investment is not pledged as collateral for the credit facility.

The accompanying notes are an integral part of these interim consolidated financial statements.

MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED SCHEDULE OF INVESTMENT PORTFOLIO

December 31, 2018

(in thousands of United States dollars, except shares)

Company[6]	Investment	Spread Above Index[1]	Interest	Maturity Date	Currency	Par / Shares	Amortized Cost	Fair Value
Debt investments								
Loans								
Consumer								
League Collegiate Holdings, LLC[2]	First Lien Loan	L+475	7.25%	5/1/2024	USD$	3,731	$ 3,696	$ 3,696
League Collegiate Holdings, LLC[3][4][5]	First Lien Delayed Draw Term Loan	L+475	1.00%	5/1/2024	USD	—	(3)	(3)
SW Ingredients Holdings, LLC[2]	First Lien Loan	L+425	7.05%	7/3/2025	USD	3,731	3,714	3,714
Total consumer							7,407	7,407
Industrials								
GFL Environmental Holdings Inc.[7]	Holdco PIK Note		11.00%	5/31/2028	CAD	5,278	3,949	3,789
Myers Emergency Power Systems, LLC[2]	First Lien Loan	L+425	7.05%	7/2/2024	USD	997	988	988
TCP Sunbelt Acquisition Co.[2]	First Lien Loan	L+450	7.38%	5/31/2024	USD	3,731	3,701	3,701
Wesco Group, LLC[2]	First Lien Loan	L+425	7.06%	6/15/2024	USD	2,612	2,587	2,587
Total industrials							11,225	11,065
Total loans							**18,632**	**18,472**
Bonds								
Cline Mining Corporation[7]				7/8/2022	CAD	8,304	6,480	5,823
Total bonds							**6,480**	**5,823**
Total loans								
Equity investments								
BCP Great Lakes Holdings LP[7]					USD		4,987	4,987
Cline Mining Corporation[7]					CAD	2,075,595	417	—
Total equity investments							**5,404**	**4,987**
Total investments							**$ 30,516**	**$ 29,282**

(1) Loan contains a variable rate structure that bears interest at a rate that may be determined by reference to the London Interbank Offered Rate (“LIBOR”) (which can include one-, two- three- or six-month LIBOR) and which reset periodically based on the terms of the loan agreement.

(2) The interest rate on these loans is determined in reference to 1-month or 6-month LIBOR.

(3) Position is an unfunded loan commitment. See Note 12 “Commitments and Contingencies”.

(4) The negative cost is the result of the capitalized discount being greater than the principal amount outstanding on the loan. The negative fair value is the result of the capitalized discount on the loan.

(5) The maturity date represents the commitment period of the unfunded term loan.

(6) Unless otherwise indicated, the Company’s portfolio companies are pledged as collateral to secure Great Lakes Senior MLC I LLC’s debt obligation outstanding under the Facility and Security Agreement.

(7) Investment is not pledged as collateral for the credit facility.

The accompanying notes are an integral part of these interim consolidated financial statements.

Mount Logan Capital Inc. (the "Company" or "MLC") (formerly Marret Resource Corp. or "MRC") is incorporated under the laws of Ontario and its common shares are publicly traded on the NEO Exchange ("NEO Exchange") under the symbol "MLC". Prior to October 10, 2018, the common shares of MRC were traded on the Toronto Stock Exchange under the symbol "MAR".

Prior to October 19, 2018, the Company's business of an investment firm was primarily focused on investing in public and private debt securities 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. The Company's business also included 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").

On October 19, 2018, the Company completed a plan of arrangement under the *Business Corporation Act* (Ontario) (the "Arrangement") pursuant to which, among other things, it raised additional financing and expanded its focus from natural resource lending to a broader lending-oriented credit platform. In connection with the Arrangement, the Company acquired an initial portfolio of loans and other investments with credit-oriented characteristics and now actively manages and monitors its loan portfolio on an ongoing basis. The Company's primary objective is to actively source, evaluate, underwrite, monitor, and 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. Further, in connection with the Arrangement, the Company acquired Great Lakes Senior MLC I LLC ("MLC I"), in exchange for the issuance of an aggregate of 3,292,952 common shares of the Company. In connection with the Arrangement, MLC I acquired approximately $16.0 million of primarily U.S.-based diversified senior secured loans and the Company directly acquired $7.3 million and CAD$5.1 million of loans.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). These interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements for the year ended December 31, 2018, except as described in note 2(a) below. Accordingly, they should be read in conjunction with our most recent annual financial statements. All intercompany balances and transactions have been eliminated in consolidation.

These interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 7, 2019.

The functional currency of the Company is the Canadian dollar ("CAD"). These interim consolidated financial statements are presented in United States dollars ("USD"), the Company's reporting currency.

Consolidation

These interim consolidated financial statements comprise the assets, liabilities and results of operations of the Company and its wholly-owned subsidiaries, MLC I and Mount Logan Management, LLC, for the period. MLC and its subsidiaries are collectively referred to as the "Company" in these consolidated financial statements. Subsidiaries are all entities over which MLC has control. MLC controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control commences and deconsolidated from the date control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements for the period ended September 30, 2019 follow the same accounting policies and methods of their application as those used in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for the following changes in accounting policies and disclosures, as described below:

(a) Change in presentation currency

Effective January 1, 2019, the Company changed its presentation currency from CAD to USD to better reflect the Company's business activities. In making this change in presentation currency to USD, the Company followed the guidance in International Auditing Standards 21, *The Effects of Changes in Foreign Exchange Rates*, and have applied the change retrospectively, as if the USD has always been the Company's presentation currency, as follows:

- assets and liabilities have been translated into USD at the rate of exchange prevailing at the respective reporting dates;
- the consolidated statements of income and comprehensive income were translated at the average exchange rates for the respective reporting periods, or at the exchange rates prevailing at the applicable transaction date;
- equity transactions have been translated at the exchange rate prevailing at the date of the transactions; and
- exchange differences arising on translation were recorded in "cumulative translation adjustment" in shareholders' equity.

(In thousands of United States dollars, except per share amounts and where otherwise noted)

The exchange rates used in translation were as follows:

CAD/USD exchange rate	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
As at the reporting date	$ 0.7551	$ 0.7326	$ 0.7747	$ 0.7920
Average rate for the period	0.7510	0.7706	0.7753	

(b) Critical accounting judgments, estimates, and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates, and such differences could be material.

The Company may, from time to time, hold financial instruments that are not quoted in active markets and management is required to make estimates related to its Level 3 investments and, in particular its investment in Cline Mining Corporation ("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) assumptions 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.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed separately in Notes 2(c), 2(f) and 2(i).

(c) Fair value measurement

The Company's investments are measured at fair value through profit and loss. 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 price (Level 1). 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 (Level 2). The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs (Level 3). 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. Equity investments in other portfolio companies are primarily based on the net asset value ("NAV") of the fund and adjusted for factors known to the Company that would affect the fund's NAV, including, but not limited to, fair values for individual investments held directly or indirectly by the fund if the Company holds the same investment or for a publicly traded investment. These values are periodically assessed by management of the Company to ensure that they are reasonable.

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. Additional information regarding the Company's accounting for contingent value rights is included in Note 3.

(d) Investment transactions

Investment transactions are recorded on the trade date. Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss and are treated as an expense. The Company records expenses related to its debt obligations as debt issuance costs. These expenses are deferred and amortized using the straight-line method, which approximates the effective yield method, over the life of the related debt instrument. Debt issuance costs are presented on the consolidated statements of financial position as a direct deduction from the debt liability. 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 consolidated statements of comprehensive income (loss).

Realized gains or 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 disposed during the period.

The Company classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

Level 2 Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 Inputs are unobservable for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement.

(e) Interest and dividend income recognition

Interest income is recorded on the accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on debt investments purchased are accreted/amortized into interest income over the life of the respective security using the effective interest method. The amortized cost of debt investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Loans are generally placed on non-accrual status when there is reasonable doubt that principal or interest will be collected in full. The Company considers many factors relevant to an investment when placing it on or removing it from non-accrual status including, but not limited to, the delinquency status of the investment, economic and business conditions, the overall financial condition of the underlying investment, the value of the underlying collateral, bankruptcy status, if any, and any other facts or circumstances relevant to the investment. Accrued interest is generally reversed when a loan is placed on non-accrual status. Payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability of the outstanding principal and interest. Non-accrual loans may be restored to accrual status when past due principal and interest is paid current and are likely to remain current based on management's judgment.

Dividend income on preferred equity securities is recorded on the accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly-traded portfolio companies.

(f) Foreign currency translation

The fair value of foreign denominated investments and other assets and liabilities are translated at the exchange rate prevailing at period end date. Purchases and sales of foreign securities and the related income are translated at the exchange rate prevailing on the respective dates of such transactions.

The Company isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in fair values of investments held. Changes in fair value on investments are shown in net change in unrealized appreciation (depreciation) on investments in the consolidated statements of comprehensive income (loss), while unrealized foreign exchange related fluctuations are included with the net change in unrealized gain or loss on foreign currency in the consolidated statements of comprehensive income (loss). Fluctuations arising from the translation of foreign currency borrowings are also included in the net change in unrealized gains or losses on foreign currency in the consolidated statements of comprehensive income (loss).

(g) Foreign currency forward contracts

Foreign currency forward contracts entered into by the Company are financial agreements to buy or sell a specific amount of an underlying currency for an agreed upon price at a future date. The fair value of these forward contracts is the gain or loss that would be realized if, on the reporting date, the position was to be closed out and is recorded as a net change in unrealized gain (loss) on foreign currency in the consolidated statements of comprehensive income (loss). When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in net realized gain (loss) on foreign currency in the consolidated statements of comprehensive income (loss).

(h) Financial instruments

Financial instrument assets are initially recognized when the Company becomes a party to a financial instrument contract. The Company's investments are designated as financial assets to be measured at fair value through profit and loss ("FVTPL"). All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid. The carrying values of financial assets and liabilities at amortized cost approximate their fair values due to their short-term nature. Transaction costs related to financial assets classified as FVTPL are expensed as incurred.

(i) Current and deferred income taxes

Income tax expense includes current and deferred income taxes. Income tax expense is recognized in the consolidated statements of comprehensive income (loss), except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity.

Current tax is the amount of income tax recoverable (payable) in respect of the taxable loss (profit) for a period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for accounting and tax purposes. Deferred income tax assets and liabilities are measured at the tax rates expected to apply when temporary differences reverse. Changes in deferred income tax assets and liabilities related to a change in tax rates are recorded in the period the tax rate is substantively enacted. Current and deferred taxes are offset only when they are levied by the same taxing authority, levied on the same entity or group of entities and when there is a legal right to offset.

Current income taxes include any adjustment to income taxes payable in respect of previous years. The Company also makes assumptions about the expected timing of the reversal of deferred tax assets and liabilities. If the Company's interpretations differ from those of taxing authorities or if the timing of reversals is not as expected, its provision for income taxes could increase or decrease in future periods. The amount of any such increase or decrease cannot be reasonably estimated.

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. The Company assesses whether it is probable that its deferred income tax assets will be realized prior to expiration and, based on all the available evidence, determine if any portion of its deferred income tax assets should not be recognized. The factors used to assess the probability of realization are the Company's past experience of income and capital gains, its forecast of future net income before taxes, and the period remaining before the expiration of tax loss carryforwards. Changes in the Company's assessment of these factors could increase or decrease its provision for income taxes in future periods. Enacted or substantially enacted rates in effect at the reporting date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculated deferred income taxes.

Additional information regarding the Company's accounting for income taxes is included in Note 9.

(j) Income (loss) per share

Basic income (loss) per share is calculated by dividing net income or loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated in the same manner, with further adjustments to reflect the dilutive effect of common share equivalents outstanding. Outstanding warrants are excluded from the calculation of diluted earnings per share when the average market price of common shares does not exceed the exercise price of the warrants (i.e., they are "out of the money").

(In thousands of United States dollars, except per share amounts and where otherwise noted)

(k) Restricted cash

Restricted cash represents amounts pledged as collateral for the credit facility.

(l) New accounting policies

In 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), which replaced 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 became 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 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 (loss), tax bases, unused tax losses, unused tax credits and tax rates determined. IFRIC 23 became effective for annual report periods beginning on or after January 1, 2019 with earlier adoption permitted. The adoption of IFRIC 23 did not have a material impact on the Company's consolidated financial statements.

3. FAIR VALUE MEASUREMENT

The following table summarizes the fair value hierarchy of the Company's assets and liabilities measured at fair value:

	Fair Value Measurements			
As at September 30, 2019	Level 1	Level 2	Level 3	Total
Debt investments	$ —	$ 13,530	$ 37,274	$ 50,804
Bonds	—	—	3,801	3,801
Equity investments	—	—	9,676	9,676
	$ —	**$ 13,530**	**$ 50,751**	**$ 64,281**
Contingent value rights	$ —	$ —	$ 3,801	$ 3,801
	$ —	**$ —**	**$ 3,801**	**$ 3,801**

	Fair Value Measurements			
As at December 31, 2018	Level 1	Level 2	Level 3	Total
Debt investments	$ —	$ —	$ 18,472	$ 18,472
Bonds	—	—	5,823	5,823
Equity investments	—	—	4,987	4,987
	$ —	**$ —**	**$ 29,282**	**$ 29,282**
Contingent value rights	$ —	$ —	$ 5,823	$ 5,823
	$ —	**$ —**	**$ 5,823**	**$ 5,823**

There were no transfers between the levels for the nine months ended September 30, 2019 and the year ended December 31, 2018.

(In thousands of United States dollars, except per share amounts and where otherwise noted)

The following is a reconciliation of the Company's investment portfolio for which Level 3 inputs were used in determining fair value:

(unaudited)	Debt Investments	Bonds	Equity Investments	Total
Balance at December 31, 2018	$ 18,472	$ 5,823	$ 4,987	$ 29,282
Purchases of investments and other adjustments to cost	39,271	—	5,657	44,928
Proceeds from principal repayments and sales of investments	(20,660)	—	(988)	(21,648)
Net realized gain (loss) on investments	252	—	—	252
Net change in unrealized appreciation (depreciation) on investments (1)	(61)	(2,022)	20	(2,063)
Balance at September 30, 2019	$ 37,274	$ 3,801	$ 9,676	$ 50,751
Net change in unrealized appreciation (depreciation) on Level 3 investments still held	$ (224)	$ (1,812)	$ 35	$ (2,001)

(1)

(unaudited)	Debt Investments	Bonds	Equity Investments	Total
Balance at December 31, 2017	$ —	$ 8,962	$ —	$ 8,962
Purchases of investments and other adjustments to cost	—	—	240	240
Proceeds from principal repayments and sales of investments	—	(2,611)	(29)	(2,640)
Net realized gain (loss) on investments	—	187	—	187
Net change in unrealized appreciation (depreciation) on investments (1)	—	(187)	(11)	(198)
Balance at September 30, 2018	$ —	$ 6,351	$ 200	$ 6,551
Net change in unrealized appreciation (depreciation) on Level 3 investments still held	$ —	$ —	$ (11)	$ (11)

(1) Includes realized and unrealized gain (loss) on investments and foreign currency.

The valuation techniques and significant unobservable inputs used in the valuation of level 3 investments were as follows:

As at September 30, 2019
(unaudited)

Asset Category	Fair Value	Quantitative Information about Level 3 Fair Value Measurements: Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)	Change in Valuation +	Change in Valuation -
First lien loans	$ 10,672	Recent transaction	Transaction price	96.0-99.0 (98.0)	$ 110	$ (110)
Promissory notes	3,007	Recent transaction	Transaction price	100.0 (100.0)	$ 30	$ (30)
First lien loans(2)	23,595	Yield analysis	Market yield	5.4%-9.1% (7.6%)	240	(240)
Bonds(1)	3,801	Discounted cash flow	Discount rate	12.0%	127	(136)
Equity investments	9,676	Net asset value	Net asset value	NA	NA	NA
Contingent value rights(1)	(3,801)	Direct offset to bonds	Discount rate	12.0%	(127)	136
	$ 46,950					

(1) The estimated fair value was determined based on comparable transactions for comparable assets. The estimated fair value in Cline was determined based on both observable and unobservable assumptions primarily related to comparable market transactions; anticipated capital costs to bring the mine into production; expected value of certain Cline assets to be realized on sale, such as equipment and surplus land; and cash utilization.

(2) For loan investments where the recent transaction price does not estimate fair value, the Company determines the fair value utilizing a yield analysis. In a yield analysis, a price is ascribed for each investment based upon an assessment of current and expected market yields for similar investments and risk profiles. Additional consideration is given to the expected life, portfolio company performance since close, and other terms and risks associated with an investment. Among other factors, a determinant of risk is the amount of leverage used by the portfolio company relative to its total enterprise value, and the rights and remedies of the Company's investment within the portfolio company's capital structure.

As at December 31, 2018

Asset Category	Fair Value	Quantitative Information about Level 3 Fair Value Measurements: Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)	Change in Valuation +	Change in Valuation -
First lien loans	$ 18,472	Recent transaction	Transaction price	98.0-99.5 (98.9)	$ 255	$ (255)
Bonds(1)	5,823	Discounted cash flow	Discount rate	12.0%	1,314	(3,016)
Equity investments	4,987	Net asset value	Net asset value	NA	NA	NA
Contingent value rights(1)	(5,823)	Direct offset to bonds	Discount rate	12.0%	(1,314)	3,016
	$ 23,459					

(1) The estimated fair value was determined based on comparable transactions for comparable assets. The estimated fair value in Cline was determined based on both observable and unobservable assumptions primarily related to comparable market transactions; anticipated capital costs to bring the mine into production; expected value of certain Cline assets to be realized on sale, such as equipment and surplus land; and cash utilization.

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 the senior secured bonds of Cline post-restructuring. On July 15, 2019, the Former Manager announced that Cline had entered into a conditional term sheet with Allegiance Coal Limited for the purchase and sale of all of the shares of the entity that owns the mining assets of Cline. The fair value of Cline was determined based on the net present value of expected proceeds resulting from the proposed sale of Cline’s mining assets. The estimate fair value is based on assumptions related to the completion of the announced transaction and the future operations of the mine. The assumptions are limited by the uncertainty related completion of the proposed transaction, economic uncertainty of proposed mining operations and the appropriateness of discount rates used in the estimates. Accordingly, by their nature, estimates of fair value of this type are subjective and do not necessarily result in precise determinations.

4. MANAGEMENT SERVICES AGREEMENT

On December 23, 2010, as amended on April 11, 2011, the Company entered into a Management Services Agreement (“MSA”) with the Former Manager to build the Company’s natural resource lending business. Under the MSA, as amended on April 1, 2014 and July 1, 2015, the Company paid a management fee on a quarterly basis to the Former Manager equal to the greater of CAD$100 and 1.0% of the Company’s net asset value, excluding the Company’s investment in Cline. 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. Fees that are attributable to the investment in Cline shall only be determined and become payable to the Former Manager on the sale of the investment in Cline, in its entirety, and shall be calculated using, and payable only on the net sale proceeds actually received by the Company for its investment in Cline. Any fees paid to the Former Manager as a result of the sale of the investment in Cline will reduce the amounts paid to the holders of CVRs (as defined below).

5. RELATED PARTY TRANSACTIONS

In connection with the Arrangement, the Company acquired MLC I in exchange for the issuance to an affiliate of BC partners of 3,292,952 common shares of the Company. In connection with the Arrangement, MLC I acquired approximately $16.0 million of primarily U.S.-based diversified senior secured loans.

On November 20, 2018, the Company entered into a servicing agreement (the “Servicing Agreement”) with BC Partners Advisors L.P. (“BC Partners”). Under the terms of the Servicing Agreement, BC Partners as servicing agent performs, or oversees the performance of, the administrative services necessary for the operation of the Company, including, without limitation: (i) provision of office facilities, equipment, clerical, bookkeeping, compliance and recordkeeping services and such other administrative services as the servicing agent, subject to review by the board of directors (the “Board”) of the Company, shall from time to time determine to be necessary or useful to perform its obligations under the Servicing Agreement, and (ii) on behalf of the Company, conducting relations with custodians, depositories, transfer agents, dividend disbursing agents, other shareholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Servicing Agent is authorized to enter into sub-administration agreements as the Servicing Agent determines necessary in order to carry out the administrative services. The Company pays fees to BC Partners at amounts to be agreed by the parties for services performed for it pursuant to the terms of the Servicing Agreement. For the nine months ended September 30, 2019, the Company incurred costs reimbursable to the Servicing Agent of $22 for out-of-pocket expenses.

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 by (i) the vote of the Board and (ii) the vote of a majority of the Company’s directors who are not parties to the Servicing Agreement or a “related party” of the Company, of the Servicing Agent, or of any of their respective affiliates, as defined in the Multilateral Instrument 61-101 under Canadian securities law. 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 or by the Servicing Agent.

On November 28, 2018, the Company entered into a commitment of $10,000 to invest in a unitranche lending program through BCP Great Lakes Holdings LP (“Great Lakes Holdings”). The program underwrites and holds senior secured unitranche loans and seeks to build a diverse portfolio of floating rate, sponsor-backed middle-market loans paying a quarterly cash yield.

On August 19, 2019, Mount Logan Management, LLC (“ML Management”), a wholly-owned subsidiary of the Company entered into a Monitoring Agreement with BC Partners pursuant to which, among other things, ML Management will receive a fee for providing monitoring services in respect of certain investments managed by BC Partners, all as agreed to by ML Management and BC Partners from time to time. For the nine months ended September 30, 2019, ML Management recognized fee revenue under this agreement of $11.

Certain directors and officers of the Company are affiliated with BC Partners. At September 30, 2019 and December 31, 2018, 2,494,804 common shares were held by directors and officers of the Company who are affiliated with BC Partners. The total directors’ fees incurred to the directors who are affiliated with BC Partners during the nine months ended September 30, 2019 was $18 (2018 – $0).

Key management personnel of the Company include the chief executive officer, the chief financial officer and co-presidents. Compensation incurred to officers who are affiliated with BC Partners for employee services, based on employment agreements, for the nine months ended September 30, 2019 was $237 (2018 – $70).

(In thousands of United States dollars, except per share amounts and where otherwise noted)

6. SHAREHOLDERS' EQUITY

The following table summarizes the shareholder transactions for the year ended December 31, 2018 (as restated) and period ended September 30, 2019:

	Shares		Amount	Warrants		Amount
Balance at December 31, 2017	17,702,767	$	54,218	—	$	—
Share activity	—		—	—		—
Balance at September 30, 2018	**17,702,767**		**54,218**	**—**		**—**
Shares redeemed for cash	(10,175,038)		(4,115)	—		—
Shares redeemed for warrants	(2,686,099)		(1,086)	20,468,128		1,086
Shares issued on acquisition of Great Lakes Senior MLC I LLC	3,292,952		1,382	—		—
Shares issued in Financing	73,738,548		30,949	—		—
Share issue costs	—		(1,604)	—		—
Balance at December 31, 2018	81,873,130		79,744	20,468,128		1,086
Shares issued	2,968,750		1,264	—		—
Share issue costs	—		(20)	—		—
Balance at September 30, 2019	**84,841,880**	**$**	**80,988**	**20,468,128**	**$**	**1,086**

On September 10, 2019, the Company completed a non-brokered private placement of an aggregate of 2,968,750 common shares at a price of CAD$0.56 per share for aggregate gross proceeds of $1,264.

The Company is authorized to issue an unlimited number of preference shares, issuable in one or more series, and an unlimited number of common shares.

Arrangement

On October 19, 2018, upon completion of the Arrangement, each of the common shares of MRC was exchanged for one common share of MLC created pursuant to the Arrangement ("New Shares") and, subject to certain restrictions, one contingent value right ("CVR"), with each CVR representing a contingent cash entitlement in respect of Cline. Under the terms of the indenture governing the CVRs, the Company will seek to dispose of Cline for the five (5) year period following the closing of the Arrangement and will distribute to the holders of the CVRs any distributions received from Cline and the net proceeds received from the sale of the Company's holdings in Cline.

In addition, each shareholder, subject to certain restrictions, was provided with the option to exchange all of its New Shares for: (i) CAD$0.53 in cash (subject to proration) for each New Share held, or (ii) 7.62 warrants (subject to proration) exercisable for a period of seven years from the effective date of the Arrangement at a price of CAD$0.77 per share for each New Share held, which is a non-cash transaction. All warrants are outstanding as at September 30, 2019 and December 31, 2018.

In connection with the Arrangement, the Company incurred costs totaling $3,199.

Financing

On October 19, 2018, upon completion of the Arrangement, each of the subscription receipts ("Subscription Receipts") issued pursuant to the Company's private placement of 73,738,548 Subscription Receipts at a price of CAD$0.55 per Subscription Receipt automatically converted, without payment of additional consideration into one New Share. The financing is summarized below:

Closing Date	Subscription Receipts		Amount
June 27, 2018	45,817,828	$	19,231
August 30, 2018	5,342,272		2,242
October 12, 2018	22,578,448		9,476
	73,738,548		**30,949**
Transaction costs:			
Agent fees			(878)
Depository agent fees			(90)
Professional fees			(636)
			(1,604)
Net proceeds		**$**	**29,345**

Stock option plan and performance and restricted share unit plan

On May 30, 2019, the Company's shareholders approved (i) a stock option plan (the "2019 Option Plan") and (ii) a performance and restricted share unit plan (the "PR Plan"). The aggregate number of common shares that are issuable under the 2019 Option Plan upon the exercise of options which have been granted and are outstanding, together with common shares that are issuable pursuant to outstanding awards and grants under any other share compensation arrangement of the Company, shall not at any time exceed 10% of the common shares then issued and outstanding. The purchase price for any common shares underlying an option shall not be less than the fair market value of a common share on the date the option is granted, being the closing price of the common shares on the NEO Exchange on the last trading day before the date of grant. Options granted under the 2019 Option Plan have a maximum term of 10 years from the date of grant. The aggregate number of common shares that are issuable uUnder the PR Plan to pay awards which have been granted and are outstanding under the PR Plan, together with common shares that are issuable pursuant to outstanding awards or grants under any other share compensation arrangement of the Company, shall not exceed at any time 10% of the common shares then issued and outstanding. There were no options or or awards outstanding under either the 2019 Option Plan or the PR Plan as at September 30, 2019.8,484,188

(In thousands of United States dollars, except per share amounts and where otherwise noted)

7. CONTINGENT VALUE RIGHTS

In connection with the completion of the Arrangement, holders of common shares of the Company (other than U.S. shareholders) received one CVR, representing a contingent cash entitlement in respect of Cline. Under the terms of the indenture governing the CVRs, the Company will seek to dispose of Cline for the five (5) year period following the closing of the Arrangement and will distribute to the holders of the CVRs any distributions received from Cline and the net proceeds received from the sale of the Company's holdings in Cline. As at September 30, 2019, the CVRs totaled $3,801 being the fair value of the investment in Cline (2018 – $5,949).

8. CREDIT FACILITY

On February 22, 2019 (the "Closing Date"), MLC I entered into a facility and security agreement ("Revolving Senior Loan Facility") of up to $50.0 million with a large financial institution as initial lender, and such other additional institutions who from time to time parties thereto (the "Lender"). 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.

The maximum principal amount of the Revolving Senior Loan Facility is initially $29.0 million, which amount shall be automatically increased to: (a) $36.6 million seven months after the Closing Date, (b) $43.3 million eight months after the Closing Date, and (c) $50.0 million nine months after the Closing Date, with a one-time facility increase of $25.0 million exercisable at any time after total advances equal or exceed $40.0 million.

The availability period under the Revolving Senior Loan Facility will terminate on February 21, 2020, with four one-year extensions at the Lender's option.

Amounts drawn under the Revolving Senior Loan Facility will bear interest at LIBOR plus a spread of 2.50% or 1.80% depending on the asset base with a minimum weighted average interest of LIBOR plus 2.15%. The Company pays a commitment fee of 0.50% per annum on undrawn amounts under the Revolving Senior Loan Facility. The Company also paid a closing fee equal to 1.00% of the initial committed facility amount on the Closing Date and 1.00% of the committed facility amount increase on the date of each increase. Upon the commencement of the third one-year extension, an extension fee is payable equal to the 0.50% of the committed facility amount.

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.

The Revolving Senior Loan Facility contains affirmative and restrictive covenants, events of default and other customary provisions, including periodic financial reporting requirements and minimum liquidity requirements.

Debt obligations consisted of the following as at September 30, 2019 and December 31, 2018:

	September 30, 2019 (unaudited)	December 31, 2018
Revolving Senior Loan Facility:		
Principal outstanding	$ 34,400	$ —
Unamortized financing costs	(213)	—
	$ 34,187	**$ —**

9. INCOME TAXES

Included in deferred income tax assets is $2,808 (2018 – $2,044) related to deductible temporary differences. On the evidence available, including management projections of income, the Company believes that it is probable there will be sufficient taxable income generated by the Company's business operations to support these deferred tax assets.

	For the Nine Months Ended September 30, 2019 (unaudited)	Year Ended December 31, 2018
Income (loss) from operations before income taxes	$ (79)	$ (2,308)
Combined federal and provincial statutory income taxes	26.50%	26.50%
Income tax provision based on statutory income taxes	(21)	(612)
Permanent differences	—	—
Deferred tax asset not recognized	21	612
Recognition of previously unrecognized tax losses	697	2,150
Total tax recovery	**$ 697**	**$ 2,150**

(In thousands of United States dollars, except per share amounts and where otherwise noted)

Based on the Company's income tax filings and current year activity, the gross deductible temporary differences are as follows:

		September 30, 2018
Scientific research costs not yet deducted[1]	$	54,952
Non-capital losses available[2]		29,996
Other		1,107
Gross deductible temporary differences		86,055
Combined federal and provincial statutory income taxes		26.50%
Deferred tax asset, gross		22,805
Valuation allowance		(19,997)
Deferred tax asset, net	**$**	**2,808**

(1) The Company has $54,952 of scientific research and experimental development expenditure pools available for deduction against future income. These expenditure pools have no expiry date.

(2) The Company has $29,996 of non-capital losses available to offset future taxable income. These losses expire between 2026 and 2039.

(3) The Company has $46,643 of capital losses available to offset future capital gains. These losses have no expiry date.

10. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Company has made a $10 million commitment to invest in Great Lakes Holdings, a Delaware limited partnership formed as a co-investment vehicle to facilitate the participation of certain co-investors to invest, directly or indirectly, in BCP Great Lakes Funding LLC. The Company is liable for its unfunded capital commitment. The Company may not sell, assign, pledge or otherwise transfer or encumber all or any part of its interest in Great Lakes Holdings, nor shall the Company have the power to substitute a transferee in its place as a substitute limited partner without having obtained the prior written consent of the general partner. The Company does not have the right to withdraw from Great Lakes Holdings without the consent of the general partner and upon such terms and conditions as may be specifically agreed upon between the general partner and the Company. The investment strategy of BCP Great Lakes Funding, LLC is to underwrite and hold senior, secured unitranche loans made to middle-market companies.

In determining whether the Company has control or significant influence over Great Lakes Holdings, the Company assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. The Company categorizes its investment in Great Lakes Holdings as unconsolidated structured entities.

Investment in Great Lakes Holdings is susceptible to market price risk arising from uncertainty about future values of its NAV. The maximum exposure to loss from interest in Great Lakes Holdings is equal to the fair value of the investment at any given point in time. The fair value of Great Lakes Holdings is disclosed on the consolidated statements of financial position as part of investments and listed in the consolidated schedule of investments.

As at September 30, 2019, the Company has a 19.12% ownership in Great Lakes Holdings. As at September 30, 2019, the Company has funded $9.7 million in Great Lakes Holdings.

As at September 30, 2019, the net assets of Great Lakes Holdings were $50.6 million.

11. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income (loss) per common share for the three and nine months ended September 30, 2019 and 2018:

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
		2019		2018		2019		2018
		(unaudited)		(unaudited)		(unaudited)		(unaudited)
Comprehensive income (loss)	$	682	$	(263)	$	618	$	(741)
Weighted average share of common stock outstanding – basic and diluted		82,100,662		17,702,767		82,543,493		17,702,767
Income (loss) per common share – basic and diluted	$	0.01	$	(0.01)	$	0.01	$	(0.04)

(In thousands of United States dollars, except per share amounts and where otherwise noted)

12. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may enter into commitments to fund investments. As at September 30, 2019 and December 31, 2018, the Company had the following outstanding commitments to fund investments in current portfolio companies:

Portfolio Company	Investment	Currency		September 30, 2019		December 31, 2018
				(unaudited)		
BCP Great Lakes Holdings LP	Unitranche lending program	USD	$	345	$	5,013
League Collegiate Holdings, LLC	First lien delayed draw term loan	USD		435		325
Welcome Diary, LLC	First lien delayed draw term loan	USD		227		—
			$	1,007	$	5,338

13. Effect of change in presentation currency

As set out in note 2, the Company elected to change its presentation currency to USD effective January 1, 2019.

For comparative purposes, the consolidated statements of financial position as at September 30, 2018, December 31, 2018 and January 1, 2018 include adjustments to reflect the change in the accounting policy resulting from the change in presentation to the USD. The amounts previously reported in CAD as shown below have been translated into USD at the respective reporting date exchange rates (note 2). The result of the translation is as follows.

		September 30, 2018		September 30, 2018		December 31, 2018		December 31, 2018		January 1, 2018		January 1, 2018
		USD		CAD		USD		CAD		USD		CAD
Assets												
Investments, at amortized cost	$	7,058	$	9,111	$	30,516	$	39,933	$	10,421	$	13,157
Investments, at fair value	$	6,359	$	8,208	$	29,282	$	39,970	$	8,962	$	11,316
Cash and cash equivalents		6,023		7,774		5,882		8,029		3,796		4,793
Restricted cash		21,208		27,375		—		—		—		—
Accrued interest and dividend receivable		1		1		328		448		57		72
Deferred tax asset		—		—		2,044		2,790		—		—
Prepaid expenses		—		—		27		37		—		—
Unrealized appreciation on foreign currency forward contracts		2		3		—		—		77		97
Total assets	**$**	**33,593**	**$**	**43,361**	**$**	**37,563**	**$**	**51,274**	**$**	**12,892**	**$**	**16,278**
Liabilities												
Contingent value rights	$	—	$	—	$	5,823	$	7,949	$	—	$	—
Subscription receipts		21,208		27,375		—		—		—		—
Accounts payable and accrued liabilities		743		959		458		625		235		297
Total liabilities		21,951		28,334		6,281		8,574		235		297
Shareholders' equity												
Share capital		54,218		35,946		79,744		69,394		54,218		35,946
Warrants		—		—		1,086		1,424		—		—
Contributed surplus		7,240		7,483		7,240		7,483		7,240		7,483
Deficit		(27,813)		(28,402)		(33,312)		(35,601)		(27,076)		(27,448)
Cumulative translation adjustment		(22,003)		—		(23,476)		—		(21,725)		—
Total shareholders' equity		11,642		15,027		31,282		42,700		12,657		15,981
Total liabilities and shareholders' equity	**$**	**33,593**	**$**	**43,361**	**$**	**37,563**	**$**	**51,274**	**$**	**12,892**	**$**	**16,278**
Common shares issued and outstanding		**17,702,767**		**17,702,767**		**81,873,130**		**81,873,130**		**17,702,767**		**17,702,767**
Net asset value per share	**$**	**0.66**	**$**	**0.85**	**$**	**0.38**	**$**	**0.52**	**$**	**0.71**	**$**	**0.90**

(In thousands of United States dollars, except per share amounts and where otherwise noted)

For comparative purposes, the consolidated statements of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2018 and year ended December 31, 2018 include adjustments to reflect the change in accounting policy resulting from the change in presentation currency to USD. The amounts previously reported in CAD as shown below have been translated into USD at the average exchange rates (note 2). The result of the translation is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		For the Year Ended December 31,	
	2018	2018	2018	2018	2018	2018
	USD	CAD	USD	CAD	USD	CAD
Investment income						
Interest income	$ 21	$ 27	$ 94	$ 121	$ 596	$ 774
Total investment income	**21**	**27**	**94**	**121**	**596**	**774**
Operating expenses						
Management and servicing fees	17	22	51	66	79	102
Arrangement costs	—	—	—	—	3,033	3,936
Transaction costs	—	—	—	—	170	221
Professional fees	188	245	529	682	109	142
Directors’ fees	19	24	64	82	99	129
Regulatory and shareholder relations	33	42	74	95	166	215
Other general and administrative	22	29	81	104	171	222
Total operating expenses	**279**	**362**	**799**	**1,029**	**3,827**	**4,967**
Net investment loss	**(258)**	**(335)**	**(705)**	**(908)**	**(3,231)**	**(4,193)**
Realized and unrealized gain (loss)						
Net realized gain (loss) on investments	(135)	(175)	(323)	(416)	(713)	(925)
Net realized gain (loss) on foreign currency	1	1	17	22	(31)	(40)
Net change in unrealized appreciation (depreciation) on investments	128	166	319	411	—	—
Net change in unrealized gain (loss) on foreign currency	1	1	(49)	(63)	1,667	2,164
Total net realized and unrealized loss	**(5)**	**(7)**	**(36)**	**(46)**	**923**	**1,199**
Loss and comprehensive loss before income tax	**(263)**	**(342)**	**(741)**	**(954)**	**(2,308)**	**(2,994)**
Income tax (expense) / recovery deferred	—	—	—	—	2,150	2,790
Income (loss) and comprehensive income (loss)	**$ (263)**	**$ (342)**	**$ (741)**	**$ (954)**	**$ (158)**	**$ (204)**
Weighted average shares outstanding – basic and diluted	**17,702,767**	**17,702,767**	**17,702,767**	**17,702,767**	**30,536,839**	**30,536,839**
Income (loss) per share – basic and diluted	**$ (0.01)**	**$ (0.02)**	**$ (0.04)**	**$ (0.05)**	**$ (0.01)**	**$ (0.01)**

(In thousands of United States dollars, except per share amounts and where otherwise noted)

For comparative purposes, the consolidated statements of cash flows for the nine months ended September 30, 2018 and year ended December 31, 2018 include adjustments to reflect the change in accounting policy resulting from the change in presentation currency to USD. The amounts previously reported in CAD as shown below have been translated into USD at the average exchange rates (note 2). The result of the translation is as follows:

	For the Nine Months Ended September 30,		For the Year Ended December 31,	
	2018 USD	2018 CAD	2018 USD	2018 CAD
Cash flows from operating activities:				
Comprehensive income (loss)	$ (741)	$ (954)	$ (158)	$ (204)
Adjustments to reconcile net cash (used in) provided by operating activities:				
Net realized losses (gains)	323	416	713	925
Net realized loss on foreign currency	(17)	(22)	31	40
Net change in unrealized (appreciation) depreciation	(319)	(411)	(1,447)	(1,878)
Net change in unrealized (appreciation) depreciation on foreign currency	49	63	(464)	(286)
Net foreign currency settlements	41	53	134	174
Cost of shares issued on acquisition of Great Lakes Senior MLC I LLC	—	—	1,382	1,811
(Increase) decrease in operating assets:				
Accrued interest and dividend receivable	56	71	(271)	(376)
Deferred tax assets	—	—	(2,044)	(2,790)
Prepaid expenses	—	—	(27)	(37)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued liabilities	508	662	223	328
Net cash (used in) provided by operating activities	**(100)**	**(122)**	**(1,928)**	**(2,293)**
Cash flows from financing activities:				
Proceeds from issuance of common shares	—	—	30,949	40,556
Offering costs	—	—	(1,604)	(2,102)
Redemption of common shares	—	—	(4,115)	(5,393)
Net cash provided by financing activities	**—**	**—**	**25,230**	**33,061**
Cash flows from investing activities:				
Purchase of investments and payment-in-kind interest	—	—	(33,370)	(43,305)
Proceeds from sale and repayment of investments	2,406	3,103	12,154	15,773
Net cash (used in) provided by investing activities	**2,406**	**3,103**	**(21,216)**	**(27,532)**
Net increase (decrease) in cash and cash equivalents	2,306	2,981	2,086	3,236
Cash and cash equivalents, beginning of period	3,796	4,793	3,796	4,793
Cash and cash equivalents, end of period	**$ 6,102**	**$ 7,774**	**$ 5,882**	**$ 8,029**
Supplemental information				
Interest received	$ 150	$ 193	$ 325	$ 398

(In thousands of United States dollars, except per share amounts and where otherwise noted)

14. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company is exposed to a variety of financial risks. The Company seeks to minimize potential adverse effects of these risks for the Company's performance through management's professional experience in portfolio management and by monitoring the Company's investment positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Company maintains a governance structure that oversees the investment activities and monitors compliance with the Company's stated investment strategies, internal guidelines, and securities regulations.

(a) Credit risk

Credit risk is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the Company. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables. The Company's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the consolidated statements of financial position. The Company's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the Company's credit standards and by obtaining collateral through security on substantially all assets of the obligors.

Credit risk is managed by dealing with counterparties the Company believes to be creditworthy and by regular monitoring of credit exposures. None of the counterparties to the debt instruments are publicly rated. The Company deposits its cash with highly-rated banking corporations.

The Company's investments in debt securities are unrated.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company may borrow funds to make investments to the extent it determines that additional capital would allow it to take advantage of additional investment opportunities or if the market for debt financing presents attractively priced debt financing opportunities. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk arising from the contingent value rights is mitigated by the investment in Cline.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk includes currency risk, interest rate risk and other price risk.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds certain debt investments with fixed interest rates that expose it to fair value interest rate risk. The Company also holds debt investments subject to variable interest rates, which exposes it to cash flow interest rate risk. The Company also holds a debt obligation subject to variable interest rates, which partially mitigates it to cash flow interest rate risk.

The following table summarizes the Company's exposure to interest rate risk, including the Company's assets categorized by the remaining term to maturity:

	September 30, 2019 (unaudited)	December 31, 2018
Less than 1 year	$ —	$ —
1 - 3 years	1,560	—
3 - 5 years	3,801	5,823
> 5 years	49,244	18,472
Total	**$ 54,605**	**$ 24,295**

The annualized impact on net income of hypothetical base rate changes in interest rates on our debt investments and debt obligation had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was $178 (2018 – $0). In practice, actual results may differ from this sensitivity analysis.

(In thousands of United States dollars, except per share amounts and where otherwise noted)

(e) Valuation risk

The Company invests, and plans to continue to invest, primarily in illiquid debt of private companies. Most of the Company's investments will not have a readily available market price, and the Company values these investments at fair value as determined in good faith by management and independent third-party valuation firm(s) and in accordance with the Company's valuation policy. There is no single standard for determining fair value. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments the Company makes. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, it may realize amounts that are different from the amounts presented and such differences could be material.

(f) Concentration risk

Concentration risk arises because of the concentration of exposures within the same category, whether it is geographic location, product type, industry sector or counterparty type.

The following is a summary of the Company's concentration risk, based on geographic location and product type:

	September 30, 2019		December 31, 2018	
	Fair value	**% of total**	**Fair value**	**% of total**
Loans	$ 50,804	79.0%	$ 18,472	63.1%
Bonds	3,801	5.9%	5,823	19.9%
Equity	9,676	15.1%	4,987	17.0%
	$ 64,281	**100.0%**	**$ 29,282**	**100.0%**

	September 30, 2019		December 31, 2018	
	Fair value	**% of total**	**Fair value**	**% of total**
Canada	$ 5,361	8.3%	$ 9,612	32.8%
United States	58,920	91.7%	19,670	67.2%
	$ 64,281	**100.0%**	**$ 29,282**	**100.0%**

(g) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the Company's functional currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the Company's reported income, cash flows or fair values of its investment holdings. The Company may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at September 30, 2019, the Company had exposure to the U.S. dollar through its holding of investments and assets and liabilities denominated in U.S. dollars. The amount by which the net assets of the Company would have increased or decreased, as at September 30, 2019, had the prevailing exchange rates been lowered or raised by $0.01 was $395 (2018 - $321). In practice, actual results may differ from this sensitivity analysis.

The tables below indicate the currencies to which the Company had significant net exposure other than its functional currency as at September 30, 2019 and December 31, 2018, on its monetary assets and liabilities, as well as the underlying notional amount of any foreign forward currency contracts:

September 30, 2019 (unaudited):

Currency	USD-denominated investments	USD-denominated assets	USD-denominated liabilities	Net exposure	As a % of net equity
USD	$ 58,920	$ 5,841	$ (34,774)	$ 29,987	87.9%

December 31, 2018:

Currency	Foreign-denominated investments	USD-denominated assets	USD-denominated liabilities	Net exposure	As a % of net equity
USD	$ 19,670	$ 3,849	$ —	$ 23,519	75.2%

As of September 30, 2019 and December 31, 2018, the majority of the Company's net assets were denominated in U.S. dollars, which gives rise to unrealized gains / losses on foreign exchange in the Company's reported results.

15. CAPITAL MANAGEMENT

The Company's capital consists of share capital, warrants, contributed surplus and deficit. The Company manages its capital structure with the objective of providing sufficient resources to meet day-to-day operating requirements and to allow it to take advantage of investment opportunities. The Company's officers and senior management are responsible for managing the Company's capital and do so through quarterly meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

16. SUBSEQUENT EVENTS

On October 15, 2019, the Company announced that Dave Guebert resigned as Chief Financial Officer and Corporate Secretary of the Company. Mr. Guebert has agreed to assist the Company with an orderly transition to the new Chief Financial Officer and Corporate Secretary. Upon Mr. Guebert's resignation, Edward Gilpin was appointed Chief Financial Officer and Corporate Secretary.

The Company also announced that it identified two instances of unlawful activity by a sophisticated third party resulting in two wire transfers of the Company's funds to third party accounts. The incidents occurred in early October and involved employee impersonation and fraudulent wire transfer requests by a third party targeting the Company.

Upon becoming aware of the activity, the Company initiated an analysis of all other transaction activity across all bank accounts of the Company, as well as a review of its internal systems and controls. The Company also engaged external forensic specialists to conduct an independent investigation of the Company's systems. The Company has moved to ensure that appropriate steps have been taken to mitigate the chance of any future occurrences of similar unlawful transactions.

The Company notified the appropriate authorities including the Toronto Police Service Financial Crimes Unit and the Federal Bureau of Investigation ("FBI") in the United States. The Company continues to work with authorities to support their investigations as applicable. The Company recovered nearly two thirds of the approximate $1.6 million in unlawful wires and continues to make all attempts to recover the remaining funds.

The Company does not expect this incident to have a material impact on its business or otherwise impact its near-term liquidity requirements or its ongoing operations.

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