

August 7, 2020



MOUNT LOGAN
C A P I T A L

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

Toronto, Ontario--(Newsfile Corp. - August 7, 2020) - Mount Logan Capital Inc. (NEO: MLC) ("Mount Logan," "our," "we," or the "Company") announces its financial results for the second quarter ended June 30, 2020. All amounts are stated in United States dollars, unless otherwise indicated.

Second Quarter 2020 Highlights:

- Achieved quarterly investment income of \$0.9 million for the three months ended June 30, 2020
- As of June 30, 2020, the fair value of the Company's portfolio was \$58.3 million^[1], of which 80.2% is in first lien senior secured loans and 13.4% in the Great Lakes Unitranche Joint Venture
- Adjusted net investment income of \$184,000 for the six months ended June 30, 2020
- Net assets of \$31.6 million as of June 30, 2020 and net asset value per share as of June 30, 2020 of \$2.98
- Cash and cash equivalents (including restricted cash) of \$10.8 million as of June 30, 2020
- The board of directors of the Company (the "Board") declared a cash dividend in the amount of CAD\$0.02 per common share to be paid on September 24, 2020 to shareholders of record on August 25, 2020

Ted Goldthorpe, Chief Executive Officer and Chairman of Mount Logan, noted, "We are pleased with our results for the quarter, especially as market uncertainty has persisted. Outside of actively managing our investment portfolio, this quarter has been active on the strategic growth front. COVID-19 has created an unprecedented market opportunity and accordingly, we recently announced a public offering to capitalize on the current market conditions via new investment opportunities and strategic asset management transactions to drive long term value for our shareholders."

Results of Operations - Three months ended June 30, 2020

Total investment income for the three months ended June 30, 2020 was \$0.9 million as compared to \$1.0 million for the three months ended June 30, 2019.

Total expenses for the three months ended June 30, 2020 were \$1.0 million, including interest and financing expense under the Company's revolving senior loan facility of \$0.5 million, as compared to total expenses of \$0.8 million in the same period last year.

Portfolio and Investment Activity

The fair value of our portfolio was \$58.3 million as of June 30, 2020 (excluding Cline). The composition of our investment portfolio at June 30, 2020 and December 31, 2019 at fair value (in each case, excluding Cline) was as follows:

	June 30, 2020		December 31, 2019	
	Fair value	% of total	Fair value	% of total
First Lien Loans	\$ 46,753	80.2 %	\$ 48,013	79.2 %
Great Lakes Unitranche Joint Venture	7,801	13.4 %	9,532	15.7 %
Promissory Notes and Unsecured Debt	3,068	5.3 %	3,068	5.1 %
Repurchase Agreements	645	1.1 %	-	0.0 %
	\$ 58,267	100.0 %	\$ 60,613	100.0 %

For the three months ended June 30, 2020, the Company recorded \$53,000 in unrealized appreciation on its investment portfolio from net increases in the fair value of its portfolio company investments primarily due to the partial recovery from the adverse economic effects and uncertainty presented by COVID-19 and the related re-pricing of credit risk in the broadly syndicated credit market.

On January 22, 2020, Marret Asset Management, Inc. ("Marret"), the former manager, announced that Cline had entered into a binding agreement for the sale by Cline to Allegiance Coal Limited ("Allegiance") of all the shares in New Elk Coal Company, LLC ("NECC"). The total acquisition cost is CAD\$55.0 million to be comprised of a mix of cash, shares of Allegiance and deferred cash payments that will be subject to certain conditions. Completion of the sale was to take place before July 15, 2020 and is subject to certain conditions, including Allegiance raising start-up capital for the mine, which was estimated to be \$55.0 million at the time of the announcement. On June 5, 2020, the Marret announced that Cline had amended the binding agreement for the sale by Cline to Allegiance of all the shares of NECC with respect to, among other things, the structure of the consideration payable by Allegiance, and Marret subsequently announced that completion of the transaction is estimated to take place before the end of October 2020.

Liquidity and Capital Resources

At June 30, 2020, we had cash and cash equivalents (including restricted cash) of \$10.8 million, total assets of \$75.8 million and shareholders' equity of \$31.6 million. Our net asset value per common share was \$2.98. As of June 30, 2020, we had \$34.4 million of borrowings outstanding on our revolving senior loan facility.

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

Our interim consolidated financial statements for the three and six months ended June 30, 2020 and related management's discussion and analysis will be available on the Company's website at www.mountlogancapital.ca and on SEDAR (www.sedar.com).

Dividend Declaration

The Board has declared a cash dividend in the amount of CAD\$0.02 per common share to be paid on September 24, 2020 to shareholders of record on August 25, 2020. This dividend is designated by the Company as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation. An enhanced dividend tax credit applies to eligible dividends paid to Canadian residents.

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

Conference Call

We will hold a conference call on Tuesday, August 11, 2020 at 11 a.m. Eastern Time to discuss our second quarter 2020 financial results. Shareholders, prospective shareholders, and analysts are welcome to listen to the call. To register for the call and access dial-in information please visit <https://bit.ly/3klAaoH>. The recording of the conference call will be available on our Company's website www.mountlogancapital.ca in the Investor Relations section under Events.

About Mount Logan Capital Inc.

Mount Logan Capital Inc. is an alternative asset management company that is focused on public and private debt securities in the North American market. The Company seeks to source and actively manage loans and other debt-like securities with credit-oriented characteristics. The Company actively sources, evaluates, underwrites, monitors and primarily invests in loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle.

Non-IFRS Financial Measures

This news release makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of the Company's results of operations from management's perspective. The Company's definitions of non-IFRS measures used in this news release may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company has included herein certain non-IFRS supplemental measures of key performance, including, but not limited to, adjusted net investment income, net asset value ("NAV") per share and

comprehensive income. We utilize these measures in managing our business, including performance measurement. We believe that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, these measures are not recognized under IFRS. The definitions and calculations of the non-IFRS measures used in this news release are described in greater detail in the Company's management discussion and analysis for the three and six months ended June 30, 2020. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

Change in Functional Currency

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

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

Cautionary Statement Regarding Forward-Looking Statements

This press release contains forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the expressions "seeks", "expects", "believes", "estimates", "will", "target" and similar expressions. The forward-looking statements are not historical facts but reflect the current expectations of the Company regarding future results or events and are based on information currently available to them. Certain material factors and assumptions were applied in providing these forward-looking statements. The forward-looking statements discussed in this release include, but are not limited to, statements relating to the sale by Cline to Allegiance of all the shares of NECC and the timing thereof, the Company's business strategy, model, approach and future activities, portfolio composition and size, asset management activities and related income, capital raising activities, future credit opportunities of the Company, portfolio realizations, the protection of stakeholder value and the expansion of the Company's loan portfolio. All forward-looking statements in this press release are qualified by these cautionary statements. The Company believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, the Company can give no assurance that the actual results or developments will be realized by certain specified dates or at all. These forward-looking

statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks Factors" in the most recently filed annual information form and management discussion and analysis for the Company. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this press release.

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

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MOUNT LOGAN CAPITAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	June 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Investments, at fair value	\$ 61,976	\$ 64,489
Cash	465	425
Restricted cash	10,285	6,733
Due from BC Partners	-	411
Accrued interest and dividend receivable	185	358
Deferred tax asset	2,863	2,863
Prepaid expenses	13	33
Total assets	\$ 75,787	\$ 75,312
LIABILITIES		
Credit facility (net of deferred financing costs of \$317 and \$80, respectively)	\$ 34,083	\$ 34,320
Payable for investments purchased	4,948	1,880
Interest payable	518	383

Due to BC Partners	441	-
Contingent value rights	3,709	3,876
Accounts payable and accrued liabilities	487	644
Total liabilities	44,186	41,103
SHAREHOLDERS' EQUITY		
Share capital	80,988	80,988
Warrants	1,086	1,086
Contributed surplus	7,240	7,240
Deficit	(35,855)	(33,247)
Cumulative translation adjustment	(21,858)	(21,858)
Total shareholders' equity	31,601	34,209
Total liabilities and shareholders' equity	\$ 75,787	\$ 75,312
Common shares issued and outstanding	10,604,998	10,604,998
Net asset value per share	\$ 2.98	\$ 3.23

MOUNT LOGAN CAPITAL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
INVESTMENT INCOME				
Interest income	\$ 772	\$ 844	\$ 1,637	\$ 1,327
Dividend income	156	118	371	118
Total investment income	928	962	2,008	1,445
OPERATING EXPENSES				
Administration fees	132	-	280	-
Arrangement costs	-	28	-	166
Interest and other credit facility expenses	520	478	1,168	568
Professional fees	213	145	428	267
Compensation	54	81	110	162
Marketing	60	-	92	-
Directors' fees	23	25	44	48
Regulatory and shareholder relations	10	32	34	58
Other general and administrative	37	21	74	40
Total operating expenses	1,049	810	2,230	1,309

Net investment income (loss)	(121)	152	(222)	136
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments	69	34	110	59
Net realized gain (loss) on foreign currency	(5)	-	(4)	-
Net change in unrealized appreciation (depreciation) on investments	53	131	(2,213)	141
Net change in unrealized gain (loss) on foreign currency	(9)	(626)	23	(1,095)
Total net realized and unrealized gain (loss)	108	(461)	(2,084)	(895)
Income (Loss) and comprehensive income (loss)				
before income tax	(13)	(309)	(2,306)	(759)
Deferred tax recovered	-	(3)	-	695
Income (loss) and comprehensive income (loss)	\$ (13)	\$ (312)	\$ (2,306)	\$ (64)
Weighted average shares outstanding - basic and diluted	10,604,998	10,233,905	10,604,998	10,233,905
Income (loss) per share - basic and diluted	\$ (0.00)	\$ (0.03)	\$ (0.22)	\$ (0.01)

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

To view the source version of this press release, please visit
<https://www.newsfilecorp.com/release/61321>