November 10, 2020

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

TORONTO, Nov. 10, 2020 (GLOBE NEWSWIRE) -- Mount Logan Capital Inc. (NEO: MLC) ("Mount Logan," "our," "we," or the "Company") announces its financial results for the third quarter ended September 30, 2020. All amounts are stated in United States dollars, unless otherwise indicated.

Third Quarter 2020 Highlights:

- Total investment income increased 22% to $3.0 million year-to-date from $2.4 million for the comparable period in 2019.
- Quarterly net income of $1.3 million or $0.12 per common share, compared with net income of $0.7 million or $0.07 per common share in Q3 2019. The net income for the current period reflects a partial recovery of unrealized depreciation recognized in previous quarters due to the broader market turmoil as a result of COVID-19.
- Total assets increased to $77.3 million at quarter end, compared with $75.3 million at December 31, 2019.
- As of September 30, 2020, the fair value of the Company's portfolio was $51.3 million[1], of which 77.2% is in first lien senior secured loans.
- Cash and restricted cash of $11.3 million as of September 30, 2020.
- Total shareholders' equity as of September 30, 2020 was $32.7 million, or a net asset value of $3.08 per common share, compared with $31.6 million, or $2.98 per share 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 December 23, 2020 to shareholders of record on November 23, 2020.

Ted Goldthorpe, Chief Executive Officer and Chairman of Mount Logan, noted, "We are pleased with our recent results, both in regards to the performance of our portfolio, the CIF transaction, and our recently completed capital raise. We continue to assess strategic transactions that assist in accelerating our ongoing transition into an asset-light business model."

Update on Operations

Private Placement

On October 27, 2020, the Company completed a private placement and issued 6,108,199 common shares at a price of CAD$2.75 per share for gross proceeds of approximately CAD$16.8 million (USD$12.4 million). The Company used a portion of the net proceeds of the offering to fund the Company's obligation under its previously announced transaction whereby the Company will receive the net economic benefits derived under an advisory agreement entered into between Sierra Crest Management LLC ("SCIM") and Resource Credit Income Fund ("CIF"), pursuant to which SCIM became the investment adviser to CIF, as further described below.

Interval Fund Transaction
On October 30, 2020, the Company closed its previously announced transaction alongside SCIM, an affiliate of BC Partners Advisors L.P., whereby SCIM became the investment adviser of CIF pursuant to a new advisory agreement (the "CIF Advisory Agreement") between SCIM and CIF. CIF is a U.S.-based, continuously offered, closed-end interval fund that invests across credit markets including direct credit, private credit, and public credit. Pursuant to the CIF Advisory Agreement, SCIM will receive an annual base management fee equal to 1.85% of CIF's average daily net assets and a quarterly income incentive fee. The CIF Advisory Agreement is renewable annually following an initial two-year term, which renewal must be approved by (a) a majority of the outstanding voting securities of CIF or by vote of CIF's Board of Trustees; and (b) by vote of a majority of non-interested Trustees.

Upon closing, the Company advanced approximately $12.0 million to SCIM by way of a secured promissory note (the "SCIM Facility") and may advance up to an additional $3.0 million, for an aggregate principal amount not to exceed $15.0 million. The SCIM Facility is secured by the rights, management fees, performance fees, and other compensation associated with the CIF Advisory Agreement. In addition, the Company has entered into a services agreement with SCIM (the "SCIM Services Agreement") pursuant to which the Company will provide certain administrative services to SCIM in respect of CIF. Under the SCIM Services Agreement, in exchange for the administrative services relating to CIF, SCIM will pay to the Company, on a quarterly basis, an amount equal to the aggregate base management and incentive fees received by SCIM from CIF under the CIF Advisory Agreement in respect of such quarter, net of debt service, a quarterly fee to be retained by SCIM comprised of a specified amount, plus an allocable portion of the compensation of SCIM's investment professionals in connection with their performance of investment advisory services for CIF. In addition, SCIM will be reimbursed by the Company quarterly for certain expenses it incurs in connection with the investment advisory services provided pursuant to the CIF Advisory Agreement.

Cline
The Company, along with affiliates of Marret Asset Management ("Marret" and collectively, the "Group"), holds an investment in the equity and bonds of Cline Mining Corporation ("Cline"). Under a restructuring plan involving Cline, approved by the courts in 2015, the Group owns all of the equity and the senior secured bonds of Cline post-restructuring. On July 15, 2019, Marret announced that Cline had entered into a conditional term sheet with Allegiance Coal Limited ("Allegiance") for the purchase and sale of all of the shares of New Elk Coal Company, LLC ("NECC"), which owns the mining assets of Cline. On October 27, 2020, Marret announced that Cline has completed the sale to Allegiance of all the shares in NECC. The Company understands that it is Marret's intention to direct Cline to remit the net proceeds from the transaction, less a prudent provision for any ongoing minimal Cline operating costs, to the senior bondholders (which includes the Company) as soon as practicable after receipt. The distribution by the Company of any proceeds received from the

Cline transaction will be made in accordance with the terms of the indenture governing the CVRs.

Results of Operations – Three months ended September 30, 2020

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

Total expenses for the three months ended September 30, 2020 were $0.9 million, as compared to total expenses of $0.8 million for the three months ended September 30, 2019.

Portfolio and Investment Activity

The fair value of our portfolio was $51.3 million as of September 30, 2020 (excluding Cline). The composition of our investment portfolio at September 30, 2020 and December 31, 2019 at fair value (in each case, excluding Cline) was as follows:

	September 30, 2020		December 31, 2019	
	Fair value	**% of total**	**Fair value**	**% of total**
First Lien Loan	$ 39,618	77.2 %	$ 48,013	79.2 %
Great Lakes Unitranche Joint Venture	8,473	16.5 %	9,532	15.7 %
Promissory Notes and Unsecured Debt	3,229	6.3 %	3,068	5.1 %
	$ 51,320	**100.0 %**	**$ 60,613**	**100.0 %**

For the three months ended September 30, 2020, the Company recorded $1.3 million in unrealized appreciation on its investment portfolio primarily due to partial recovery from the potential adverse economic effects and uncertainty presented by COVID-19 and the related re-pricing of credit risk in the broadly syndicated credit market.

Liquidity and Capital Resources

At September 30, 2020, we had cash and restricted cash of $11.3 million, total assets of $77.3 million and shareholders' equity of $32.7 million. Our net asset value per common share was $3.08. As of September 30, 2020, we had $34.4 million of borrowings outstanding on our revolving senior loan facility, collateralized by $39.6 million of our invested assets at fair market value. On October 27, 2020, the Company completed a private placement and issued 6,108,199 common shares of the Company at a price of CAD$2.75 per share for gross proceeds of approximately CAD$16.8 million.

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

Our interim consolidated financial statements for the three and nine months ended September 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 December 23, 2020 to shareholders of record on November 23, 2020. This dividend is designated by the Company as an eligible dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial or territorial legislation. An enhanced dividend tax credit applies to eligible dividends paid to Canadian residents.

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

Conference Call

We will hold a conference call on Wednesday, November 11, 2020 at 4:00 p.m. Eastern Time to discuss our third 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/3peFM6y. 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, net asset value ("NAV") per share. We utilize this measure in managing our business, including performance measurement. We believe that providing this performance measure on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, this measure is not recognized under IFRS. The definitions and calculations of the non-IFRS measures used in this news release are described in greater detail in the Company's management discussion and analysis for the three and nine months ended September 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, SCIM remaining the investment adviser of CIF following each two year renewal period and the Company will continue to receive the net economic benefit derived by SCIM under the CIF Advisory Agreement, the Company's business strategy, model, approach and future activities, portfolio composition and size, asset management activities and related income, capital raising activities, future credit opportunities of the Company, portfolio realizations, the protection of stakeholder value and the expansion of the Company's loan portfolio. All forward-looking statements in this press release are qualified by these cautionary statements. The Company believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, the Company can give no assurance that the actual results or developments will be realized by certain specified dates or at all. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including that the CIF Advisory Agreement is subject to the CIF Approvals every two years and such approvals may not be obtained, if the CIF Advisory Agreement is not renewed the Company's recourse for payment under the SCIM Facility may be limited and the matters discussed under "Risks Factors" in the most recently filed annual information form and management discussion and analysis for the Company. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this press release.

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

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MOUNT LOGAN CAPITAL INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars, except number of shares and per share amounts)

		September 30, 2020		December 31, 2019
		(unaudited)		
ASSETS				
Investments, at fair value		55,099	$	64,489
Cash		132		425
Restricted cash		11,128		6,733
Receivable for investments sold		7,628		—
Due from BC Partners		—		411
Accrued interest and dividend receivable		152		358
Deferred offering costs		316		—
Deferred tax asset		2,863		2,863
Prepaid expenses		3		33
Total assets	**$**	**77,321**	**$**	**75,312**
LIABILITIES				
Credit facility (net of deferred financing costs of $193 and $80, respectively)	$	34,207	$	34,320
Payable for investments purchased		4,860		1,880
Interest payable		479		383
Due to BC Partners		728		—
Contingent value rights		3,779		3,876
Accounts payable and accrued liabilities		555		644
Total liabilities		44,608		41,103
SHAREHOLDERS' EQUITY				
Share capital		80,988		80,988
Warrants		1,086		1,086
Contributed surplus		7,240		7,240
Deficit		(34,743)		(33,247)
Cumulative translation adjustment		(21,858)		(21,858)

Total shareholders' equity		32,713		34,209
Total liabilities and shareholders' equity	$	**77,321**	$	**75,312**
Common shares issued and outstanding		**10,604,998**		**10,604,998**
Net asset value per share	$	**3.08**	$	**3.23**

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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
INVESTMENT INCOME				
Interest income	$ 763	$ 839	$ 2,400	$ 2,166
Dividend income	208	140	579	258
Fee income	—	11	—	11
Total investment income	**971**	**990**	**2,979**	**2,435**
OPERATING EXPENSES				
Administration fees	188	—	468	—
Arrangement costs	—	—	—	166
Interest and other credit facility expenses	414	484	1,582	1,052
Professional fees	115	93	543	360
Compensation	57	79	167	241
Marketing	33	85	125	85
Directors' fees	22	24	66	72
Regulatory and shareholder relations	4	3	38	61
Other general and administrative	43	50	117	90
Total operating expenses	**876**	**818**	**3,106**	**2,127**
Net investment income (loss)	**95**	**172**	**(127)**	**308**
REALIZED AND UNREALIZED GAIN (LOSS)				
Net realized gain (loss) on investments	(41)	193	69	252
Net realized gain (loss) on foreign currency	(42)	(20)	(46)	(20)
Net change in unrealized appreciation (depreciation) on investments	1,261	(4)	(952)	137
Net change in unrealized gain (loss) on foreign currency	(3)	339	20	(756)
Total net realized and unrealized gain (loss)	**1,175**	**508**	**(909)**	**(387)**
Income (Loss) and comprehensive income (loss) before income tax	**1,270**	**680**	**(1,036)**	**(79)**
Deferred tax recovered	—	2	—	697

Income (loss) and comprehensive income (loss)	$ 1,270	$ 682	$ (1,036)	$ 618
Weighted average shares outstanding – basic and diluted	**10,604,998**	**10,317,700**	**10,604,998**	**10,262,346**
Income (loss) per share – basic and diluted	**$ 0.12**	**$ 0.07**	**$ (0.10)**	**$ 0.06**

[1] Excludes the Company's legacy investment in Cline Mining Corporation ("Cline") of $3.8 million, 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.

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Source: Mount Logan Capital Inc.