MOUNT LOGAN
CAPITAL

MOUNT LOGAN CAPITAL INC.

(formerly Marret Resource Corp.)

Annual Report

December 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Mount Logan Capital Inc. (formerly Marret Resource Corp.)

Opinion

We have audited the consolidated financial statements of Mount Logan Capital Inc. (formerly Marret Resource Corp.) (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Peter Hayes.

Toronto, Canada

March 29, 2019

MOUNT LOGAN CAPITAL INC.
(formerly Marret Resource Corp.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Notes	December 31 2018	December 31 2017
Assets			
Investments, at fair value	2, 3	$ 39,970	$ 11,316
Cash and cash equivalents		8,029	4,793
Accrued interest and dividend receivable		448	72
Prepaid expenses		37	—
Deferred tax asset	9	2,790	—
Unrealized appreciation on foreign currency forward contracts	2, 4	—	97
Total assets		**$ 51,274**	**$ 16,278**
Liabilities			
Accounts payable and accrued liabilities		$ 625	$ 297
Contingent value rights	8	7,949	—
Total liabilities		**8,574**	**297**
Shareholders' Equity			
Share capital	7	69,394	35,946
Warrants	7	1,424	—
Contributed surplus		7,483	7,483
Deficit		(35,601)	(27,448)
Total shareholders' equity		**42,700**	**15,981**
Total liabilities and shareholders' equity		**$ 51,274**	**$ 16,278**
Common shares issued and outstanding		**81,873,130**	**17,702,767**
Net asset value per share		**$ 0.52**	**$ 0.90**

The accompanying notes are an integral part of these 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.
(formerly Marret Resource Corp.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Notes	Years Ended December 31, 2018	2017
Investment income			
Interest income		$ 774	$ 427
Total investment income		**774**	**427**
Operating expenses			
Management fee	5	102	91
Arrangement costs	7	3,936	—
Transaction costs		221	—
Professional fees		142	116
Directors' fees		129	127
Regulatory and shareholder relations		215	62
Other general and administrative		222	124
Total operating expenses		**4,967**	**520**
Net investment loss		**(4,193)**	**(93)**
Realized and unrealized gain (loss)			
Net realized gain (loss) on investments		(925)	81
Net realized gain (loss) on foreign currency		(40)	137
Net change in unrealized appreciation (depreciation) on investments		1,878	(471)
Net change in unrealized gain (loss) on foreign currency		286	184
Total net realized and unrealized gain (loss)		**1,199**	**(69)**
Loss and comprehensive loss before income tax		**(2,994)**	**(162)**
Income tax recovery (deferred)	9	**2,790**	**—**
Loss and comprehensive income (loss)		**$ (204)**	**$ (162)**
Weighted average shares outstanding – basic and diluted		**30,536,839**	**17,702,767**
Income (Loss) per share – basic and diluted		**$ (0.01)**	**$ (0.01)**

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

MOUNT LOGAN CAPITAL INC.
(formerly Marret Resource Corp.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

2018	Note	Number of Voting Common Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2017		**17,702,767**	**$ 35,946**	**$ —**	**$ 7,483**	**$ (27,448)**	**$ 15,981**
Shares redeemed for cash	7	(10,175,038)	(5,393)	—	—	—	(5,393)
Shares redeemed for warrants	7	(2,686,099)	(1,424)	1,424	—	—	—
Issuance of contingent value rights	7	—	—	—	—	(7,949)	(7,949)
Shares issued on acquisition of Great Lakes Senior MLC I LLC	7	3,292,952	1,811	—	—	—	1,811
Share issuance	7	73,738,548	40,556	—	—	—	40,556
Offering costs	7	—	(2,102)	—	—	—	(2,102)
Comprehensive income (loss)		—	—	—	—	(204)	(204)
Balance at December 31, 2018		**81,873,130**	**$ 69,394**	**$ 1,424**	**$ 7,483**	**$ (35,601)**	**$ 42,700**

2017	Note	Number of Voting Common Shares	Share Capital	Warrants	Contributed Surplus	Deficit	Total Equity
Balance at December 31, 2016		**17,702,767**	**$ 35,946**	**$ —**	**$ 7,483**	**$ (27,286)**	**$ 16,143**
Comprehensive income (loss)		—	—	—	—	(162)	(162)
Balance at December 31, 2017		**17,702,767**	**$ 35,946**	**$ —**	**$ 7,483**	**$ (27,448)**	**$ 15,981**

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

MOUNT LOGAN CAPITAL INC.
(formerly Marret Resource Corp.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	For the Years Ended December 31, 2018	2017
Cash flows from operating activities:			
Comprehensive income (loss)		$ (204)	$ (162)
Adjustments to reconcile net cash (used in) provided by operating activities:			
Net change in unrealized (appreciation) depreciation		(2,164)	287
Net realized losses (gains)		965	(218)
Net foreign currency settlements		174	137
Cost of shares issued on acquisition of Great Lakes Senior MLC I LLC	7	1,811	—
Change in non-cash operating items:			
Increase in accrued interest and dividend receivable		(376)	(15)
Increase in prepaid expenses		(37)	—
Increase in deferred tax assets		(2,790)	—
Increase in accounts payable and accrued liabilities		328	97
Net cash (used in) provided by operating activities		**(2,293)**	**126**
Cash flows from financing activities:			
Proceeds from issuance of common shares	7	40,556	—
Offering costs	7	(2,102)	—
Redemption of common shares	7	(5,393)	—
Net cash provided by financing activities		**33,061**	**—**
Cash flows from investing activities:			
Purchase of investments and payment-in-kind interest		(43,305)	(6,710)
Proceeds from sale and repayment of investments		15,773	5,781
Net cash used in investing activities		**(27,532)**	**(929)**
Net increase (decrease) in cash and cash equivalents		3,236	(803)
Cash and cash equivalents, beginning of year		4,793	5,596
Cash and cash equivalents, end of year		$ 8,029	$ 4,793
Supplemental information			
Interest received		$ 398	—

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

CONSOLIDATED SCHEDULE OF INVESTMENT PORTFOLIO

December 31, 2018

(in thousands of Canadian dollars, except shares)

Company	Investment	Spread Above Index[1]	Interest	Maturity Date	Par[6] / Shares	Amortized Cost	Fair Value (USD)	Fair Value
Debt Investments								
Consumer								
League Collegiate Holdings, LLC[2]	First Lien Loan	L+475	7.25%	5/1/2024	US$ 3,731	$ 4,843	$ 3,696	$ 5,044
League Collegiate Holdings, LLC[3][4][5]	First Lien Delayed Draw Term Loan	L+475		5/1/2024	US$ —	(4)	(3)	(4)
SW Ingredients Holdings, LLC[2]	First Lien Loan	L+425	7.05%	7/3/2025	US$ 3,731	4,867	3,714	5,070
						9,706	7,407	10,110
Industrials								
GFL Environmental Holdings Inc.	Holdco PIK Note		11.00%	5/31/2028	$ 5,278	5,178	3,789	5,172
Myers Emergency Power Systems, LLC[2]	First Lien Loan	L+425	7.05%	7/2/2024	US$ 997	1,295	988	1,349
TCP Sunbelt Acquisition Co.[2]	First Lien Loan	L+450	7.38%	5/31/2024	US$ 3,731	4,849	3,701	5,051
Wesco Group, LLC[2]	First Lien Loan	L+425	7.06%	6/15/2024	US$ 2,612	3,390	2,587	3,532
						14,712	11,065	15,104
						24,418	18,472	25,214
Bonds								
Cline Mining Corporation				7/8/2022	8,303,825	8,304	5,823	7,949
Equity Investments								
BCP Great Lakes Holdings LP						6,677	4,987	6,807
Cline Mining Corporation					2,075,595	534	—	—
						7,211	4,987	6,807
Total Investments						**$ 39,933**	**$29,282**	**$ 39,970**

(1) Loan contains a variable rate structure that bear 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 subject to 3-month LIBOR, which as at December 31, 2018 was 2.81%.

(3) Position is an unfunded loan commitment. See Note 11 "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 disclosed represents the commitment period of the unfunded term loan.

(6) Par amount denominated in Canadian Dollar unless otherwise noted, U.S. Dollar ("US$").

MOUNT LOGAN CAPITAL INC.

(formerly Marret Resource Corp.)

CONSOLIDATED SCHEDULE OF INVESTMENT PORTFOLIO

December 31, 2017

(in thousands of Canadian dollars, except shares)

Company	Investment	Interest	Maturity Date	Par[1] / Shares	Amortized Cost	Fair Value
Bonds						
Canada						
Althabasca Oil Corp.	Corporate bond	9.875%	2/24/2022	US$ 350,000	$ 439	$ 428
Cline Mining Corp.	Corporate bond	0.000%	7/8/2022	7,651,049	7,651	7,324
Cline Mining Corp.	Corporate bond	0.000%	7/8/2022	652,776	653	625
Crew Energy Inc.	Corporate bond	6.500%	3/14/2024	55,000	55	54
MEG Energy Corp.	Corporate bond	6.375%	1/30/2023	US$ 40,000	44	43
MEG Energy Corp.	Corporate bond	6.500%	1/15/2025	US$ 175,000	212	217
Twin Buttle Energy Ltd.	Convertible bond	6.250%	12/31/2018	200,000	200	8
					9,254	8,699
United States						
Carrizo Oil & Gas Inc.	Corporate bond	6.250%	4/15/2023	US$ 250,000	330	327
Crestwood Midstream Partners L.P.	Corporate bond	5.750%	4/1/2025	US$ 250,000	316	324
EP Energy LLC	Corporate bond	8.000%	2/15/2025	US$ 300,000	329	276
EV Energy Partners L.P.	Corporate bond	8.000%	4/15/2019	US$ 200,000	188	129
Extraction Oil & Gas Holdings LLC	Corporate bond	7.875%	7/15/2021	US$ 250,000	327	333
Gulfport Energy Corp.	Corporate bond	6.625%	5/1/2023	US$ 250,000	344	321
Murphy Oil Corp.	Corporate bond	370.000%	12/1/2022	US$ 250,000	331	315
Tapstone Energy LLC	Corporate bond	9.750%	6/1/2022	US$ 250,000	338	270
Whiting Petroleum Corp.	Corporate bond	5.000%	3/15/2019	US$ 250,000	339	322
					2,842	2,617
					12,096	11,316
Equity Investments						
Cline Mining Corporation			7/8/2022	2,075,595	534	—
WG Ltd.				1,212	527	—
					1,061	—
Total Investments					**$13,157**	**$11,316**

(1) Par amount denominated in Canadian Dollar unless otherwise noted, U.S. Dollar (“US$”).

Mount Logan Capital Inc. (the "Company" or "MLC") (formerly Marret Resource Corp. or "MRC") is incorporated under the laws of Ontario and its shares are publicly traded on the Aequitas NEO Exchange ("NEO") under the symbol "MLC". Prior to October 10, 2018, MRC was 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 of and making term loans (including bridge and mezzanine debt) to issuers in a broad range of natural resource sectors, including energy, base and precious metals and other commodities, and issuers involved in exploration and development, and may also include financing other resource-related businesses and investing in public and private equity and quasi-equity securities. The portfolio was managed by Marret Asset Management Inc. (the "Former Manager").

On October 19, 2018, the Company completed of a plan of arrangement (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 and actively manages and monitors a portfolio of loans and other investments with credit-oriented characteristics. The Company's objective is to actively source, evaluate, underwrite, monitor, and primarily invest in additional loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle. Further, the Company acquired Great Lakes Senior MLC I LLC ("MLC I"), in exchange for the issuance of an aggregate of 3,292,952 shares of the Company created pursuant to the Arrangement.

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"). All intercompany balances and transactions have been eliminated in consolidation.

These financial statements were authorized for issuance by the Board of Directors of the Company on March 29, 2019.

These financial statements are presented in Canadian dollars, except where indicated, which is the Company's functional currency.

Consolidation

These consolidated financial statements comprise the assets, liabilities and results of operations of its wholly-owned subsidiary, MLC I, for the financial period. MLC and its subsidiary 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

(a) 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(b), 2(h) and 2(k).

(b) 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. Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs, if available, on such basis and in such manner established by management. The fair value of certain securities may be estimated using valuation techniques based on assumptions that are not supported by observable market inputs. These values are periodically assessed by management of the Company to ensure that they are reasonable.

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

The Company's contingent value rights liability is measured at fair value through profit and loss, and represents a contingent cash entitlement in respect of its investment in Cline. Additional information regarding the Company's accounting for contingent value rights is included in Note 3.

(c) Investment transactions

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

(d) 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 premium 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.

(e) 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 does not isolate 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. Such fluctuations are included with the net realized and unrealized gains or losses from investments. Fluctuations arising from the translation of foreign currency borrowings are included in the net change in unrealized gains or losses on foreign currency translations on the statement of comprehensive income (loss).

(f) 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).

(g) Financial instruments

The Company's financial instruments include, where applicable, investments, cash and cash equivalents, derivatives, receivables for accrued interest and dividends, contingent value rights and accrued liabilities. Financial instrument assets are initially recognized when the Company becomes a party to a 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.

(h) 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.

(i) 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 throughout the year. Diluted income (loss) per share is calculated in the same manner, with further adjustments to reflect the dilutive common share equivalents outstanding.

(j) Accounting changes

Effective January 1, 2018, the Company retrospectively and without restatement adopted IFRS 9, *Financial Instruments*. The new standard requires financial instruments to be either carried at amortized cost or at FVTPL or fair value through other comprehensive income ("FVOCI"), based on the Company's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. IFRS 9 also introduced a new expected credit loss impairment model.

Upon transition to IFRS 9, the Company's financial assets and financial liabilities previously designated at FVTPL at inception or classified as held for trading under IAS 39, *Financial Instruments: Recognition and Measurement*, continue to be measured as FVTPL under IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities.

The following table summarizes the classification impacts upon the adoption of IFRS 9:

Assets/Liabilities	Classification under IAS 39	Classification under IFRS 9
Investments	FVTPL	FVTPL
Cash and cash equivalents	Loans and receivables	Amortized cost
Accrued interest and dividend receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

(k) New accounting policies

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with

customers, providing a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied. Revenues outside the scope of IFRS 15 include interest and dividend income, trading revenues, securities gains or losses, insurance revenues, investments in associates and joint ventures and lease income. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The adoption of this standard did not have any material impact on the Company's consolidated financial statements.

(l) New standards and interpretations net yet adopted

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces the existing standards for lease accounting. The new standard sets out a model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company does not expect the adoption of this standard will 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 (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. IFRIC 23 is effective for annual report periods beginning on or after January 1, 2019. Early adoption is permitted. The extent of the impact of adoption of IFRIC 23 has not yet been determined.

3. FAIR VALUE MEASUREMENT

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.

The following table summarizes the fair value hierarchy of the Company's assets and liabilities measured at fair value as at December 31, 2018 and 2017:

	Fair Value Measurements			
As at December 31, 2018	Level 1	Level 2	Level 3	Total
Debt investments	$ —	$ —	$ 25,214	$ 25,214
Bonds	—	—	7,949	$ 7,949
Equity investments	—	—	6,807	$ 6,807
	$ —	**$ —**	**$ 39,970**	**$ 39,970**
Contingent value rights	$ —	$ —	$7,949	$7,949
	$ —	**$ —**	**$ 7,949**	**$ 7,949**

	Fair Value Measurements			
As at December 31, 2017	Level 1	Level 2	Level 3	Total
Bonds	$ —	$ 3,367	$ 7,949	$ 11,316
Forward currency contracts	—	97	—	97
	$ —	**$ 3,464**	**$ 7,949**	**$ 11,413**

There were no transfers between the levels during the years ended December 31, 2018 and 2017.

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

	Debt Investments	Bonds	Equity Investments	Total
Balance as at December 31, 2017	**$ —**	**$ 7,949**	**$ —**	**$ 7,949**
Purchases of investments and other adjustments to cost	26,158	—	6,677	32,835
Proceeds from principal repayments and sales of investments	(1,740)	—	—	(1,740)
Net change in unrealized appreciation (depreciation) on investments	796	—	130	926
Balance as at December 31, 2018	**$ 25,214**	**$ 7,949**	**$ 6,807**	**$ 39,970**
Net change in unrealized appreciation (depreciation) on Level 3 investments still held	$ 796	$ —	$ 130	$ 926

	Debt Investments	Bonds	Equity Investments	Total
Balance as at December 31, 2016	**$ —**	**$ 7,949**	**$ —**	**$ 7,949**
Balance as at December 31, 2017	**$ —**	**$ 7,949**	**$ —**	**$ 7,949**
Net change in unrealized appreciation (depreciation) on Level 3 investments still held	$ —	$ —	$ —	$ —

The valuation techniques and significant unobservable inputs used in the valuation of level 3 investments as at December 31, 2018 and 2017 were as follows:

As at December 31, 2018		Quantitative Information about Level 3 Fair Value Measurements				
Asset Category	Fair Value	Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)	Change in Valuation +	Change in Valuation -
First lien loans	$ 25,214	Recent Transaction	Transaction Price	98.0-99.5 (98.9)	$255	$(255)
Bonds	7,949	Discounted Cash Flow	Discount Rate	12.0%	1,314	(3,016)
Equity interest	6,807	Net Asset Value	Net Asset Value	NA	NA	NA
Contingent value rights	(7,949)	Direct offset to bonds	Discount Rate	12.0%	(1,314)	3,016
	$ 32,021					

As at December 31, 2017		Quantitative Information about Level 3 Fair Value Measurements				
Asset Category	Fair Value	Valuation Technique/Methodology	Unobservable Input	Range (Weighted Average)	Change in Valuation +	Change in Valuation -
Bonds	$ 7,949	Enterprise value	% variance(1)	10.0% (10.0%)	$1,314	$(3,016)
	$ 7,949					

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

4. FOREIGN CURRENCY FORWARD CONTRACTS

The following foreign currency forward contracts were outstanding at December 31, 2017:

Settlement date	Currency buys	Notional value	Currency sells	Notional value	Forward rate	Current rate	Unrealized gain (loss)
2/22/2018	CAD	$ 5,496	USD	$ 4,312	1.274	1.252	$ 97[1]
							$ 97

(1) Counterparty: Bank of New York Mellon

There were no foreign currency forward contracts outstanding at December 31, 2018.

5. 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 pays an annual management fee to the Former Manager equal to the greater of 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. For the year ended December 31, 2018, the Company incurred management fees of $102 (2017 – $91). If the Cline investment had been sold at its current carrying value, the Former Manager would, have earned an additional fee of $278 during the year ended December 31, 2018.

6. RELATED PARTY TRANSACTIONS

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

On November 28, 2018, the Company entered into a commitment of USD $10,000 to invest in a unitranche lending program through BCP Great Lakes Holdings LP. Funding of USD $4,987 was made under this program during the year. The program will underwrite and hold senior secured unitranche loans seeking to build a diverse portfolio of floating rate, sponsor-backed middle-market loans paying a quarterly cash yield.

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 ("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 of the Company (the "Board"), 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 the Servicing Agent at amounts to be agreed by the parties for services performed for it pursuant to the terms of the Servicing Agreement.

Unless earlier terminated as described below, the Servicing Agreement will remain in effect until November 20, 2020 and shall continue automatically for successive annual periods, if approved annually 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.

Certain directors and officers of the Company are affiliated with BC Partners. At December 31, 2018, 1,327,946 common shares were held by directors and officers of the Company. The total directors' fees paid during the year were $129 (2017 – $127).

Key management personnel include the chief executive officer and the chief financial officer. Compensation paid to key management for employee services, based on employment agreements, for the year ended December 31, 2018 was $128 (2017 – $120).

7. SHAREHOLDERS' EQUITY

The following table summarizes the shareholder transactions for the year ended December 31, 2018:

	Shares	Amount	Warrants	Amount
Balance at December 31, 2017	17,702,767	$ 35,946	$ —	$ —
Shares redeemed for cash	(10,175,038)	(5,393)	—	—
Shares redeemed for warrants	(2,686,099)	(1,424)	20,468,128	1,424
Shares issued on acquisition of Great Lakes Senior MLC I LLC	3,292,952	1,811	—	—
Shares issued in Financing	73,738,548	40,556	—	—
Share issue costs	—	(2,102)	—	—
Balance at December 31, 2018	**81,873,130**	**$ 69,394**	**$ 20,468,128**	**$ 1,424**

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

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, the Company will pay all net proceeds received from its investment in Cline to holders of contingent value rights.

In addition, each shareholder, subject to certain restrictions, has the option to exchange all of its New Shares for: (i) $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 $0.77 per share for each New Share held, which is a non-cash transaction. All warrants are outstanding as at December 31, 2018.

In connection with the Arrangement, the Company incurred costs totaling $3,936.

Financing

On October 19, 2018, upon completion of the Arrangement, the Company completed a brokered private placement of subscription receipts ("Subscription Receipts") at a price of $0.55 per Subscription Receipt. Each Subscription Receipt was converted, without payment of additional consideration for one new common share of the Company upon the completion of the Arrangement. The financing is summarized below:

Closing Date	Subscription Receipts	Amount
June 27, 2018	45,817,828	$ 25,200
August 30, 2018	5,342,272	2,938
October 12, 2018	22,578,448	12,418
	73,738,548	**40,556**
Transaction Costs		
Agent fees		(1,151)
Depository agent fees		(117)
Professional fees		(834)
		(2,102)
Net Proceeds		**$ 38,454**

Stock option plan

The Company's shareholders have approved a stock option plan to provide incentives for directors, employees and other qualified individuals. Under this plan, the Company may issue options up to a cumulative total of 10% of the outstanding common shares. There were no options issued or outstanding as at December 31, 2018 and 2017.

Dividend policy

On December 1, 2014, the Company announced that it had suspended its monthly dividend payments on its common shares until further notice. The suspension of the dividend was necessary as the Company could not satisfy Business Corporations Act (Ontario) requirements applicable

to the payment of dividends. The declaration of any dividend will be at the discretion of the Board and will depend on the Company's financial results, cash requirements, future prospects and other factors deemed relevant by the Board.

8. CONTINGENT VALUE RIGHTS

For each common share of the Company held as of the distribution record date for the Arrangement, each shareholder (other than U.S. shareholders) received one CVR, representing a contingent cash entitlement in respect of Cline. Under the terms of the indenture, the Company will pay all net proceeds received from its investment in Cline to holders of CVRs. As at December 31, 2018, the CVRs totaled $7,949 being the fair value of the investment in Cline.

9. INCOME TAXES

Included in deferred income tax assets is $2,790 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. The amount of temporary differences for which no deferred tax asset is recognized in the Company's Consolidated Statements of Financial Position as at December 31, 2018 is $164,634 (2017 – $171,878), of which $30,007 (2017 – $37,244) is scheduled to expire within 20 years. Deferred tax assets have not been recognized in respect of these items because it is not probable that realization of these assets will occur.

For the years ended December 31	2018	2017
Income (loss) from operations before income taxes	$ (2,994)	$ (162)
Combined federal and provincial statutory income taxes	26.50%	26.50%
Income tax provision based on statutory income taxes	(793)	(43)
Permanent differences	480	—
Deferred tax asset not recognized	313	43
Recognition of previously unrecognized tax losses	(2,790)	—
Total tax provision	**$ (2,790)**	**$ —**

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

	2018	2017
Scientific research costs not yet deducted[1]	$ 72,775	$ 72,775
Non-capital losses available[2]	38,853	37,244
Capital losses available[3]	61,770	61,770
Other	1,764	89
	$ 175,162	**$ 171,878**

(1) The Company has $72,775 (2017 – $72,775) 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 $38,853 (2017 – $37,244) of non-capital losses available to offset future taxable income. These losses expire between 2026 and 2038.

(3) The Company has $61,770 (2017 – $61,770) of capital losses available to offset future capital gains. These losses have no expiry date.

10. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income (loss) per common share for the years ended December 31, 2018 and 2017:

	Years Ended December 31,	
	2018	2017
Comprehensive loss	$ (204)	$ (162)
Weighted average share of common stock outstanding – basic and diluted	30,536,839	17,702,767
Income (loss) per common share – basic and diluted	$ (0.01)	$ (0.01)

11. COMMITMENTS AND CONTINGENCIES

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

Portfolio Company	Investment	Currency	December 31, 2018
BCP Great Lakes Holdings LP	Unitranche lending program	USD	$ 5,013
League Collegiate Holdings, LLC	First lien delayed draw term loan	USD	325
			$ 5,338

12. 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.

As at December 31, 2018 and 2017, the Company invested in debt securities with the following credit ratings:

	As a % of investments	
	2018	2017
BB	—	2.8%
B	—	18.1
CCC	—	6.0
Unrated	100.0%	73.1
	100.0%	100.0%

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

	2018	2017
Less than 1 year	$ —	$ 8
1 - 3 years	—	451
3 - 5 years	7,949	9,294
> 5 years	25,214	1,563
Total	**$ 33,163**	**$ 11,316**

The annualized impact on net income of hypothetical base rate changes in interest rates on our debt investments 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 $202 (2017 – $100). In practice, actual results may differ from this sensitivity analysis.

(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:

	December 31, 2018		**December 31, 2017**	
	Fair value	**% of total**	**Fair value**	**% of total**
Debt	$ 25,214	63. 1%	$ —	—%
Bonds	7,949	19.9	11,316	100.0%
Equity	6,807	17.0	—	—
	$ 39,970	100.0%	$ 11,316	100.0%

	December 31, 2018		**December 31, 2017**	
	Fair value	**% of total**	**Fair value**	**% of total**
Canada	$ 13,121	32.8%	$ 8,699	76.9%
United States	26,849	67.2	2,617	23.1
	$ 39,970	**100.0%**	**$ 11,316**	**100.0%**

(g) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the Company's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the Company's 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 December 31, 2018, the Company had exposure to the US dollar through its holding of investments and working capital. The amount by which the net assets of the Company would have increased or decreased, as at December 31, 2018, had the prevailing exchange rates been lowered or raised by $0.01 was $233 (2017 - $1). In practice, actual results may differ from this sensitivity analysis.

The tables below indicate the currencies to which the Company had significant net exposure as at December 31, 2018 and 2017, on its monetary and non-monetary assets and liabilities, as well as the underlying notional amount of foreign forward currency contracts:

2018:

Currency	Foreign-denominated investments	Working capital	Forward currency (notional value)	Net exposure	As a % of net equity
USD	$ 19,669	$ 3,676	$ —	$ 23,345	74.6%

2017:

Currency	Foreign-denominated investments	Working capital	Forward currency (notional value)	Net exposure	As a % of net equity
USD	$ 2,638	$ 1,730	$ (4,312)	$ 56	0.35%

13. 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.

The Company has retained sufficient capital to continue its business, to manage the liquidation of the Cline investment and to optimize the value of the Company's public entity structure. The Company is not subject to any capital requirements imposed by a regulator.

14. SUBSEQUENT EVENTS

On February 22, 2019 (the "Closing Date"), MLC I entered into a facility and security agreement ("Revolving Senior Loan Facility") of up to USD $50.0 million with a large financial institution as initial lender, and such other additional institutions who from time to time parties thereto (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 USD $29.0 million, which amount shall be automatically increased to: (a) USD $36.6 million seven months after the Closing Date, (b) USD $43.3 million eight months after the Closing Date, and (c) USD $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 pays 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.

As at March 29, 2019, the Company has borrowed USD $20,800 under the Revolving Senior Loan Facility.

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