MONTFORT CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is for the three months ended March 31, 2024 and 2023. All amounts are in Canadian dollars unless otherwise indicated. This Management discussion and analysis ("MD&A") was approved by the Board of Directors on May 28, 2024.

This MD&A provides review of Montfort Capital Corporation's (the "Company") consolidated financial results for the three months ended March 31, 2023 and provides detailed information on the operating activities, performance and financial position of the Company. The "Company", "we", "us" or "our'' refer to Montfort Capital Corp. and its consolidated entities. This analysis of the operating results and financial position of the Company should be read in conjunction with the March 31, 2024 consolidated condensed interim Financial Statements and related Notes (the "Financial Statements''), which have been prepared in accordance with IFRS accounting Standards as issued by the International Accounting Standards Board. This discussion and analysis may contain forward-looking statements about the Company's future prospects, there is no assurance that actual results will be in line with forward-looking statements made in this MD&A. Additional information relating to Montfort Capital Corp. is available on SEDAR+ at www.sedarplus.ca. Montfort Capital Corp. is listed on the TSX Venture Exchange (the "TSX-V'') trading under the symbol "MONT". Montfort Capital Corp. preferred shares trade under the ticker symbol MONT.PR.A.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements", collectively "forward looking statements". All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "designed", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

FINANCIAL HIGHLIGHTS

For the three months ended March 31, 2024 and 2023:

Financial Highlights		March 31, 2024		March 31, 2023	% Change
Revenue	$	11,974,234	$	13,053,397	-8%
Loans receivable - net of ECL ***		348,164,829		320,581,709	9%
Net (loss) income		(2,159,073)		(1,890,740)	-14%
Net (loss) income attributable to shareholders		(2,165,066)		(1,866,479)	-16%
Adjusted net (loss) income**		(1,367,908)		(486,404)	-181%
Adjusted net (loss) income attributable to shareholders**		(1,373,901)		(462,143)	-197%
Earnings per common share*		(0.03)		(0.03)	-8%
Adjusted net (loss) income per common share* **		(0.02)		(0.01)	-139%

**reflects dividends paid*

***refer to Non-GAAP measures section for details of calculations*

****comparative Dec 31, 2023*

For the three months ended March 31, 2024 and 2023 the Company had the following highlights:

- Total revenue decreased $1,079,163 or 8.4% from $13,053,397 to $11,974,234. The change was driven by a decline in loan portfolio size, as well as decrease in fee generating activities year over year;
- Interest income from investments was down $260,575 or 2.7% to $9,246,386 for the three month period compared to $9,506,961 in the comparative period driven by decrease in portfolio size year over year primarily driven by the financial return of a Langhaus portfolio in July 2023;
- Income from transaction and other fees decreased 19.1% or $586,010 to $2,479,326 from $3,065,336 due to a decline in fee generating activities;
- Income from settlement of loans increased $19,540 or 100.0% from $nil to $19,540;
- Performance fee income decreased $252,118 or 52.4% from $481,100 to $228,982;
- Total expenses decreased $494,015 or 3.3% from $14,872,911 to $14,378,896 mainly driven by a one-time restructuring fee in the comparative period and a net decrease in expenses related to expected credit loss (loans receivable and accounts receivable) of $150,807;
- Net loss increased 14.2% or $268,333 to a loss of $2,159,073 compared to a net loss of $1,890,740 in the comparative period, largely driven by a decline in year over year revenue, offset by a decline in total expenses.

BUSINESS OVERVIEW

The Company builds and manages a diversified group of specialized private credit brands with efficient tech-enabled processes and experienced, focused management teams. The Company manages investing strategies for the institutional and accredited investors markets under five divisions: TIMIA Capital (TIMIA), Pivot Financial (Pivot), Brightpath Capital Corporation (Brightpath), Nuvo Financial Inc. (Nuvo) and Langhaus Financial Partners Inc. (Langhaus).

- TIMIA utilizes a proprietary loan origination platform to originate, underwrite and service private-market, high-yield loan opportunities in the technology space. TIMIA offers revenue-based investment to fast growing, business-to-business recurring revenue software businesses in North America.
- Pivot specializes in asset-based private credit targeting mid-market borrowers in Canada. Sources of revenue include interest income from loans receivable, as well as income from the settlement of loans and transaction fees from due diligence. In addition, Pivot earns loan servicing fees and performance fee income for loan management services performed.
- Brightpath uses investor loans to administer first and second mortgages secured by residential properties. Brightpath is a registered Mortgage Brokerage and Mortgage Administrator.

- Nuvo partners with both private equity and private debt funds to provide revolving net asset value based loans that help achieve the unique goals of the fund. This division launched late 2023.
- Langhaus provides insurance policy-backed lending solutions to high-net-worth individuals and entrepreneurs in Canada that are ensuring their personal and corporate affairs are optimally structured to allow for planning opportunities that generate more after-tax liquidity.

The Company's business principally involves managing invested capital and earning fee-related revenues from assets under management. The Company builds shareholder value by increasing the assets invested in loan portfolios through its subsidiaries, as well as growth in assets managed under service agreements.

The funding and capital for all of the Company's investments comes from institutions and private investors through Limited Partnerships, lender finance arrangements, loans payable, and co-investor syndication. The Company's corporate capital needs are met through the issuance of preferred and common shares.

Management believes key contributing factors to increase value to the shareholders of the Company are increasing fee related earnings from our lending activities and assets under management, continued improvement in efficiency at originating deals, acceleration in number of deals originated and maintaining economies of scale. Management intends to continue to shift towards a business model involving growth in revenue and profitability based on both assets owned and managed as well as assets under our administration. One of the primary risk factors for the Company are the potential inability to grow the assets under management and administration, and therefore revenue earned from fees would not be generated. This is dependent on continued sources of debt financing. In addition, the Company is exposed to credit risk, the potential inability of one or more portfolio companies or individuals to meet their obligations to repay the Company.

INVESTMENT STRATEGY

Corporate Lending

TIMIA targets companies seeking capital primarily in the following three subsectors: Software-as-a-Service (SaaS), software enabled service companies and hardware enabled service companies. The Company is able to efficiently originate transactions, automate aspects of the underwriting process as well as manage the loan portfolio and investors on an ongoing basis.

Pivot addresses the borrowing needs of small to mid-sized enterprises in Canada with bespoke term debt structures, bridge loans, asset-based revolving loan facilities, and accounts receivable factoring facilities. Pivot portfolio companies typically have 1-100 employees and $1-$100 million in revenue.

Nuvo launched late 2023 and secured its first investment in Q1 2024. Nuvo is focused on providing net asset value (NAV) loans to small and mid-sized investment funds in Canada.

Consumer Lending

Brightpath's Consumer Lending loan portfolio includes a portfolio of over 550 mortgages. Mortgages are secured by residential property, located mainly in Ontario, and typically have a maturity of one year.

Langhaus is primarily involved in providing loans to entrepreneurs that are ensuring their personal and corporate affairs are optimally structured to allow for planning opportunities that generate more after-tax liquidity.

Company Structure and Risk Exposure

The Company continues to evolve as a manager of diverse private credit instruments, some of which are wholly owned and others whereby the Company performs an investment manager role. Our future growth will be a function of increase in both assets under management and assets under administration. Various limited partnerships and corporations allow the company to segregate loan portfolios while also limiting the exposure of Company shareholders. Any debt held within separate structures allows for limited recourse to other Montfort entities, and ultimately reduces risk to the Company's shareholders.

Structure and basis of consolidation

Our capital sourcing includes raising capital in the form of debt and equity, to raising non-dilutive capital in the form of limited partnerships and lender finance arrangements. Management expects to continue to use non-dilutive sources of capital to increase per share profitability for shareholders as well as improve our ability to scale with growth.

TIMIA SPIV I Inc. and Montfort USA 1 Corp. have a functional currency of US dollars. On consolidation the results are translated to the Company's presentation currency of Canadian dollars. As a result, exchange differences arising on consolidation from this translation are recorded in other comprehensive income.

The financial results of the Company as at and for the period ended March 31, 2024 discussed in this MD&A include results of operations of:

- **Montfort Capital Corporation**
- **TIMIA**
  - TIMIA Capital GP Inc
  - TIMIA Capital II GP Inc.
  - TIMIA Capital III GP Inc.
  - TIMIA Capital Holdings Limited Partnership
  - TIMIA SPIV I Inc.
  - TIMIA Capital Inc.
  - Montfort USA 1 Corp.
- **Pivot**
  - Pivot Financial Services Inc.
  - Pivot Financial I Limited Partnership
  - 2862454 Ontario Inc.
  - SQI Diagnostics Systems Ltd
- **Nuvo**
  - Nuvo Financial Inc
  - Nuvo Financial LP
  - Nuvo Financial GP Inc
- **Brightpath**
  - Brightpath Capital Corporation
  - Brightpath Residential Mortgage LP I
  - Brightpath Residential Mortgage LP II
  - Brightpath Servicing Corporation
  - Brightpath II Servicing Corporation
  - Brightpath Opportunity Corporation
- **Langhaus**
  - Langhaus Financial Partners Inc.
  - Langhaus Financial Corporation
  - Langhaus Insurance Finance Limited Partnership
  - Langhaus Insurance Finance GP Corporation
  - Langhaus Insurance Finance Limited Partnership II
  - Langhaus Insurance Finance GP II Corporation
  - Langhaus Insurance Finance Limited Partnership III
  - Langhaus Insurance Finance GP III Corporation
  - Langhaus Insurance Finance Limited Partnership IV
  - Langhaus Insurance Finance GP IV Corporation
  - Langhaus Speciality Finance Corporation

NON GAAP MEASURES

In addition to the IFRS prepared results and balances presented in the Financial Statements, the Company uses a number of other financial measures to monitor its performance and some of these are presented in this MD&A. These measures may not have standardized meanings or computations as prescribed by IFRS that would ensure consistency and comparability between companies using them and are, therefore, considered to be Non-GAAP measures. The Company primarily derives these measures from amounts presented in its Financial Statements which were prepared in accordance with IFRS. The Company's focus continues to be on IFRS measures and any other information presented herein is purely supplemental to help the reader better understand the key performance indicators used in monitoring its operating performance and financial position. This Management Discussion and Analysis refers to the following Non-GAAP measures:

Adjusted net income and Adjusted net income per common share - adjusted net income presents shareholders' net income before share based payments, business acquisition expenses, restructuring and amortization of intangible assets. Adjusted net income per common share is calculated as adjusted net income attributable to shareholders less dividends paid divided by the weighted average number of common shares outstanding. Management feels this metric is useful to understand the operating income of the Company's lending business before non-cash and expenses that are not directly related to lending activities.

Reconciliation of adjusted net income:		March 31, 2024		March 31, 2023
IFRS reported net income	$	(2,159,073)	$	(1,890,740)
Add:				
Acquisition costs		-		29,938
Share-based payments		276,527		174,457
Amortization		514,638		549,941
Restructuring		-		650,000
Adjusted net income	**$**	**(1,367,908)**	**$**	**(486,404)**

Reconciliation of adjusted net income attributable to shareholders:		March 31, 2024		March 31, 2023
IFRS reported net income attributable to shareholders	$	(2,165,066)	$	(1,866,479)
Add:				
Acquisition costs		-		29,938
Share-based payments		276,527		174,457
Amortization		514,638		549,941
Restructuring		-		650,000
Adjusted net income attributable to shareholders	**$**	**(1,373,901)**	**$**	**(462,143)**
Adjusted net income per common share	**$**	**(0.02)**	**$**	**(0.01)**

REVENUE

Total consolidated revenue for the three months ended March 31, 2024 was $11,974,234 compared to $13,053,397 for the period ended March 31, 2023, a decrease of $1,079,163 or 8.4%.

Interest income in the three months ended March 31, 2024 was $9,246,386, compared to $9,506,961 in the comparative period ended March 31, 2023, a decrease of $260,575 or 2.7%. This year over year decrease is largely driven by a decrease in the average loan portfolio size year-over-year.

The Company's revenue is primarily interest income generated from the loan portfolio. As the Company's loan portfolio grows, interest revenue increases. Interest revenue also includes changes in amortized cost of loan values included in the portfolio through the effective interest method.

Specific investee financings are contracted for various expected durations typically between 3 months and 10 years. Payments are received monthly and each loan's value is assessed for impairment at each reporting date based on the performance of the investee's gross revenue and other financial performance measures.

Income from transaction and other fees was $2,479,326 in the three months ended March 31, 2024 compared to $3,065,336 in the comparative period ended March 31, 2023, a decrease of $586,010 or 19.1%. This decline was driven by less fee originating activities year over year and decrease in portfolio management fees earned.

Other sources of revenue include income from the settlement of loans. Income from settlements in the three months ended March 31, 2024 was $19,540 compared to $nil for the comparative period ended March 31, 2023. While income from early repayment of loans is not the primary focus of the Company's revenue growth forecast, the Company does expect some loans to be repaid prior to maturity either due to change in business needs of the company invested in or as a result of change in ownership through acquisition.

The Company operates through three reportable segments: Corporate Lending, Consumer Lending and Montfort Operations:

- Corporate Lending is composed of TIMIA Capital which operates primarily in the technology sector; Nuvo provides revolving net asset value based loans. Pivot Financial offering factoring facilities, both providing term loans for small to medium-sized enterprises.
- Consumer Lending is composed of Brightpath who is a provider of first and second mortgages to individuals with contract terms on average of one year and Langhaus who is a provider of insurance policy-backed lending solutions.

Total Revenues by segment for the period ended March 31, 2024 and 2023:

March 31, 2024	Corporate Lending	Consumer Lending	Montfort Operations	Total
Interest income	$ 1,377,142	$ 7,869,244	$ -	$ 9,246,386
Income from transaction and other fees	683,292	1,796,034	-	2,479,326
Income from settlement of loans	9,540	10,000	-	19,540
Performance fee income	228,982	-	-	228,982
Total Revenue	**$ 2,298,956**	**$ 9,675,278**	**$ -**	**$ 11,974,234**

March 31, 2023	Corporate Lending	Consumer Lending	Montfort Operations	Total
Interest income	$ 1,612,900	$ 7,894,061	$ -	$ 9,506,961
Income from transaction and other fees	669,315	2,396,021	-	3,065,336
Income from settlement of loans	-	-	-	-
Performance fee income	481,100	-	-	481,100
Total Revenue	**$ 2,763,315**	**$ 10,290,082**	**$ -**	**$ 13,053,397**

EXPENSES

Total expenses during the period ended March 31, 2024 were as follows:

		March 31, 2024		March 31, 2023
Operational expense, not including interest expense and expected credit loss	$	4,109,764	$	5,131,444
Interest expense and expected credit loss		10,269,132		9,741,467
Total Expenses	**$**	**14,378,896**	**$**	**14,872,911**

Operational expenses for the three month period ended March 31, 2024 and 2023:

- Administrative, management and directors' fees decreased $340,750 or 14% to $2,013,573 from $2,354,323. This decrease is mainly driven by headcount reduction and timing of bonus payments.
- Office, travel, systems, and miscellaneous expenses remained relatively consistent year over year at $337,327 for the current period compared to $342,585 in the prior year.
- Marketing services and promotion expenses remained relatively consistent year over year at $147,648 for the current period compared to $146,632 in the prior year.
- Accounting and legal expenses decreased $33,236 or 4% from $774,503 to $741,267.
- Investor relations, communications and regulatory decreased $60,219 or 43% from $139,003 to $78,784 due to a reduction in filing activity and related fees in the current year.
- In the prior year, the Company incurred restructuring costs related to severance due to relocation of its head office. All amounts expensed in the period were paid.

Interest and expected credit loss (ECL) expense:

- Total interest expense was $9,406,413 compared to $8,727,941, an increase of $678,472. The increase is mainly driven by increased interest rates year over year.
- Expected credit loss (loans receivable) expense was $117,408 compared to $1,013,526 in the comparative period. Expected credit loss is assessed at each period end and is expected to increase relative to the loan portfolio size. The increase in the prior period was driven by an investment change in stages due to increase in credit risk assessed at period end. There was not a comparable event in the current period.
- Expected credit loss (accounts receivable) expense was $745,311 compared to $nil in the comparative period. Expected credit loss is assessed at each period end and the increase is due to increase in accounts receivable as well as staging changes.

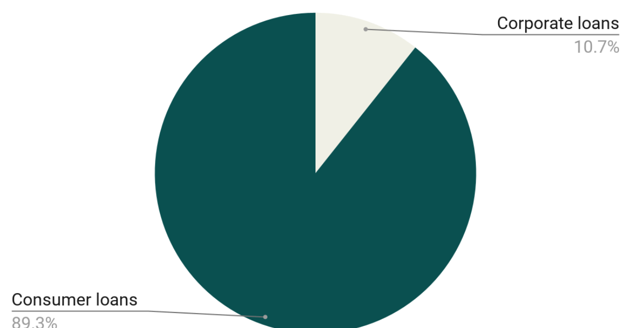
Operational expenses by segment for the three month period ended March 31, 2024 and 2023:

March 31, 2024	Corporate Lending	Consumer Lending	Montfort Operations	Total
Administrative, management and directors fees	$ 459,850	$ 763,334	$ 790,389	$ 2,013,573
Office, travel, systems, and miscellaneous	62,852	131,509	142,966	337,327
Marketing services and promotion	136,827	9,936	885	147,648
Accounting and legal	283,040	317,529	140,698	741,267
Investor relations, communications and regulatory fees	16,671	15,630	46,483	78,784
Impairment loss	-	-	-	-
Interest and financing fees	1,327,633	7,816,222	262,558	9,406,413
Expected credit loss (accounts receivable)	-	745,311	-	745,311
Expected credit loss (loans receivable)	24,830	92,578	-	117,408

March 31, 2023	Corporate Lending	Consumer Lending	Montfort Operations	Total
Administrative, management and directors fees	$ 867,794	$ 1,027,669	$ 499,559	$ 2,395,022
Office, travel, systems, and miscellaneous	107,443	148,094	104,810	360,347
Marketing services and promotion	139,389	11,897	-	151,286
Accounting and legal	186,529	261,861	365,904	814,294
Investor relations, communications and regulatory fees	2,110	-	33,987	36,097
Interest and financing fees	1,290,393	7,433,376	4,172	8,727,941
Expected credit loss (loans receivable)	949,050	64,476	-	1,013,526
Restructuring	-	-	650,000	650,000

REVIEW OF FINANCIAL POSITION

Total assets increased $29,977,549 or 7.5% to $432,485,782 at March 31, 2024 compared to $402,508,233 at December 31, 2023. Gross loans receivable before ECL are broken down as follows at March 31, 2024:



The following chart illustrates movement in the loan receivable balance post ECL from December 31, 2023 to March 31, 2024:

Loans Receivable		March 31, 2024
Opening balance	$	320,462,822
Advances on loans receivable		71,350,747
Interest revenue		9,246,386
Settlement of loans and interest collected		(53,141,327)
Foreign exchange		365,088
Expected credit loss		(118,887)
Closing balance	**$**	**348,164,829**

Loan Type		Carrying Value
Interest only loans	$	25,045,054
Amortizing Loans		8,953,017
Factored facilities		3,142,592
Mortgages		156,888,994
Insurance-backed loans		154,135,172
Total	**$**	**348,164,829**

SUMMARY OF QUARTERLY RESULTS

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenue	$ 11,974,234	$ 12,145,894	$ 12,967,337	$ 13,299,755	$ 13,053,397	$ 13,858,173	$ 7,929,159	$ 5,251,087
Net income (loss)	(2,159,073)	(5,583,175)	(3,892,151)	(1,136,658)	(1,890,740)	1,163,140	514,175	1,406,053
Net income (loss) and comprehensive income (loss)	(2,159,073)	(5,583,938)	(3,890,681)	(1,138,463)	(1,890,740)	789,425	2,579,941	2,354,005
Net income (loss) attributable to shareholders of the Company	(2,165,066)	(5,468,061)	(3,912,981)	(1,113,243)	(1,866,479)	201,169	(337,577)	633,994
Adjusted net income (loss)* attributable to shareholders	(1,373,901)	(4,663,657)	(3,083,603)	(260,903)	(462,143)	802,167	841,227	1,109,151
Net income (loss) attributable to non-controlling interests	5,993	(115,114)	20,830	(23,415)	(24,261)	961,971	851,752	772,059
Basic and diluted loss per share	(0.03)	(0.07)	(0.05)	(0.02)	(0.03)	(0.00)	(0.02)	0.02
Adjusted net income (loss) per share*	(0.02)	(0.06)	(0.04)	(0.01)	(0.01)	0.00	-	0.02
Total assets**	432,485,782	402,508,233	374,369,291	463,273,893	458,362,406	455,469,362	302,028,104	138,348,366
Total liabilities	396,972,225	364,276,223	329,974,636	414,374,944	408,127,848	402,604,542	257,059,272	122,328,099
Weighted average number of shares (in thousands)	92,714	92,693	92,193	91,859	91,650	107,161	75,502	59,874

**see Non-GAAP measures section*

***Revised Total assets for Q2 2023, Q1 2023 and Q4 2022*

LIQUIDITY AND SOLVENCY

The Company defines working capital as total current assets less total current liabilities. As at March 31, 2024, the Company's cash balance was $8,063,134 ($8,281,046 - December 31, 2023) and the Company had working capital of $23,139,501 (negative $21,455,522 - December 31, 2023). The move to positive working capital is mainly driven by the refinancing of one loan payable for $49,248,241 that moved from current to long-term as a result. The new funding secured in the period has a term of 3 years. The Company has sufficient working capital to meet its obligations and objectives. The Company continues to monitor the matching between loans receivable and loans payable to ensure all obligations are met. The Company generates cash from interest earned on loans receivable as well as fees for assets managed and administered.

Loans payable consists of both unsecured and secured loans, investor loans, demand loans, bank loans and promissory notes. Of the total loans payable of $384,992,724, the majority $286,543,887 is subject to variable rates ranging from prime -0.5% to prime +5.5%, while the remaining $98,448,837 is subject to fixed rates ranging from 5.0% to 12.5%. Debt subject to variable rate interest rates is typically invested in variable rate loans receivable, ensuring the company matching of interest rate risk and maintains interest rate spread. The Company was in compliance with all covenants other than for 1 subsidiary. The covenant breaches have been communicated to the lenders and they have not requested any change to the loan status as a result.

As at March 31, 2024, the majority of the loans payable are held by entities within the consolidated group and are subject to restrictions on use of funds within the structure the loan was initially set-up with. The debt held in these structures has limited recourse to the assets and shareholders of the Company and risk of loss is confined to the operations specific to that structure. The Company has access to capital available to each operating division, which may only be used to support the financing requirements of specific Limited Partnerships established.

The table below summarizes the amount of debt in consolidated entities that have recourse to the common shareholders as of March 31, 2024:

	Recourse	Non recourse	Total
Corporate	$ 38,581,530	$ 36,147,300	$ 74,728,830
Consumer	-	310,263,894	310,263,894
Total	**$ 38,581,530**	**$ 346,411,194**	**$ 384,992,724**

In addition, the Company continues to review the availability of resources and take precautionary measures to further bolster the liquidity and manage cash requirements. The Company continues to seek alternative sources of financing that may enhance existing facilities or support the Company's growth.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Related party transactions are all in the normal course of business with individuals (as well as their family members or entities they control) who are related to the Company either as key management personnel or a member of the board of directors. Any such transactions are in the normal course of operations and are measured at market based on exchange amounts.

The Financial Statements include related party note disclosure detailing the nature of transactions, the following chart is a summary:

	March 31, 2024	March 31, 2023	Relationship
Interest expense paid	$ 125,652	$ 182,442	Directors, officers and corporations controlled by/family members of directors/officers
Debentures and loans payable	2,567,425	9,414,000	Directors, officers and corporations controlled by/family members of directors/officers
Accounts payable	71,557	94,454	Director/Officers
Rent expense paid	53,516	14,937	Corporation controlled by directors/officers or family member of management
Interest revenue recognized	-	131,025	Director/Officers (earned on loans outstanding during the year that were fully repaid prior to year-end).
Loans receivable	-	4,403,178	Director/Officers
Guarantee fees	49,451	-	Director/Officers

OUTLOOK

The Company anticipates using a variety of financing instruments including but not limited to the issuance of preferred shares, the arrangement of additional credit facilities and the utilization of limited partnerships and other special purpose vehicles in order to support growth of the business.

The Company develops, raises and manages funds focused on private credit strategies that generate attractive risk-adjusted returns with loan structures that limit credit losses, healthy financial outlooks and proven records of growth. The Company invests heavily in its origination platform to source and evaluate potential investees to add to the portfolio. This scalable technology-forward approach allows for growth in the portfolio in a cost efficient manner, an approach management believes is unmatched by its current competitors.

SUBSEQUENT EVENTS

On May 22, 2024, the Company's board of directors declared a quarterly cash dividend of $0.02 per Series A Preferred Shares and $0.5700 per Series 1 Class C, payable on June 28, 2024, to preferred shareholders of record as of June 19, 2024.

On March 19, 2024, the Company announced it has agreed to acquire the remaining 21.98% issued and outstanding share capital of Langhaus Financial Partners Inc. Langhaus achieved its financial target for assets under management, which allowed the Company to exercise its call option to acquire the remaining Langahus interest.

FINANCIAL INSTRUMENTS AND RISK

Financial instruments

Financial instruments

The following table summarizes information regarding the carrying values and classification of the Company's financial instruments:

	Classification		March 31, 2024		December 31, 2023
Cash	Amortized Cost	$	8,063,134	$	8,281,046
Accounts receivable	Amortized Cost		12,078,919		8,605,909
Carried interest receivable	Amortized Cost		2,375,026		2,430,338
Loans receivable	Amortized Cost		348,164,829		320,581,709
Investments	FVTPL		1,247,903		1,247,903
Accounts payable	Amortized Cost		7,261,009		7,375,530
Loans payable	Amortized Cost		374,992,724		291,371,311
Loans payable	FVTPL		10,000,000		60,000,000
Other liability	Amortized Cost		1,128,343		893,534
Other liability	FVTPL		-		811,611

The estimated fair values of cash and accounts payable approximate their respective carrying values due to their nature and short terms to maturity. Investments are carried at their fair value. Loans receivable, accounts receivable, carried interest receivable and accounts payable are carried at amortized cost. Loans payable and other liability are split between amortized cost and FVTPL.

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
(c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position and categorized into levels of the fair value hierarchy as at March 31, 2024:

	Balance at March 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 1,247,903	$ -	$ -	$ 1,247,903
Loans payable	10,000,000	-	-	10,000,000

Loans payable were transferred from Level 1 to Level 3 during the period were $nil (2023 - $nil).

The consolidated statements of financial position and categorized into levels of the fair value hierarchy as at December 31, 2023:

	Balance at December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 1,247,903	$ -	$ -	$ 1,247,903
Loans payable	60,000,000	-	-	60,000,000
Other liability	811,611	-	-	811,611

Investments classified as Level 3 relate to shares held in private companies. Fair value of equity interests held is determined using a market approach. Management reviews financial results of underlying companies and uses recent equity transactions to value the investment. No change in methodology or fair value noted during the period.

Loans payable classified as Level 3 relate to variable interest debt from a third party. During the period ended March 31, 2024 no gains or losses were recognized in the statement of net income (loss) for changes in fair value related to the loans payable as there were no material movements in the fair value of the loans payable. Factors considered in determining the fair value of loans payable include changes to own credit risk as well as variable interest rate associated with this debt which did not have a significant impact on the fair value at March 31, 2024.

The investment operations of the Company's business involve the origination and purchase of loans receivable and the purchase and sale of securities, and accordingly, a portion of the Company's assets are currently composed of financial instruments. The use of financial instruments can expose the Company to several risks, a discussion of which is provided below.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is dependent on obtaining regular financings in order to continue as a going concern. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The

Company's cash consists of cash deposited in business accounts held by high credit quality financial institutions.

Foreign exchange risk

The Company's foreign exchange risk is due to the Company's loan investments totaling US$13,549,256 ($12,044,347 - March 31, 2023) which are currently valued at $18,353,822 ($16,314,068 - March 31, 2023) and loans payable totaling US$12,315,343 ($6,142,848 - March 31, 2023) which are currently valued at $16,682,364 ($8,320,487 - March 31, 2023). A 10% movement in the US dollar exchange rate would increase/decrease foreign exchange gains/losses on the consolidated statement of net income (loss) by $167,146 ($799,358 - March 31, 2023).

Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash, loans receivable as it relates to mortgages, and loans payable. The Company's practice has been to invest cash at floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. A 10% change in the interest rate would result in an increase or decrease in interest expense of $627,295 ($645,962 - March 31, 2023).

As of March 31, 2024, 3.1% (6.5% - December 31, 2023) of mortgage loans receivable bear interest at fixed rates and 96.9% of mortgages receivable bear interest at variable rates. The interest rate risk associated with variable rate mortgages receivable is mitigated by a minimum interest rate being the greater of the stated variable rate and fixed rate determined at mortgage origination for each respective variable rate mortgage loan receivable. 100% (100% - December 31, 2023) of loans in Nuvo's net asset value based loans and Langhaus' insurance policy-backed loans bear interest at variable rates. Changing interest rates may result in changes in interest income and expense for the variable rate mortgages and loans. The extent of the future impact on the market rates of interest and the corresponding effect on the fair value of the Company's mortgage and loan receivable could be significant. On a consolidated basis, a 10% change in interest rates would result in an increase or decrease in interest revenue of $787,244 ($741,330 - March 31, 2023)

Market risk

Market risk is the risk that the fair value of, or future cash flows from the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments and unfavourable market conditions could result in dispositions of investments at less than favourable prices. Additionally, the Company adjusts its investments to fair value at the end of each reporting period. This process could result in significant write-downs of the Company's investments over one or more reporting periods, particularly during periods of overall market instability, which could have a significant unfavourable effect on the Company's financial position.

The Company manages market risk by having a portfolio of investments not singularly exposed to any one issuer. The Company also manages its market risk by reviewing individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash, accounts receivable and loan receivables. The Company limits exposure to credit risk by maintaining its cash with financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash, restricted cash, accounts receivable, forward contract and loans receivable.

Credit risk measurement

In monitoring credit risk, the Company performs ongoing credit evaluations of its investees' financial condition. The evaluation considers delinquency trends, sales volumes and the investee's ability to maintain its financial condition. In accordance with IFRS 9, the Company calculates a provision for expected credit loss as outlined below.

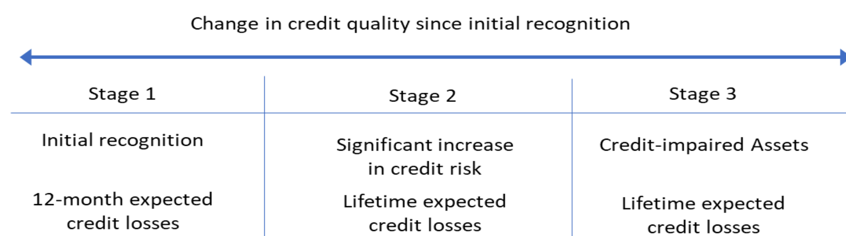
Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

Calculating the ECL allowance involves a number of interrelated inputs and assumptions including probability of default, indications of SICR and collateral value. Key judgments relate to the estimated value of collateral, in the current macroeconomic environment.

The following diagram summarizes the impairment requirements under IFRS 9:



The Company assigns each financial instrument in the portfolio to a credit quality stage of Stage 1, Stage 2 or Stage 3. This credit quality staging is then used to calculate the lifetime ECL. The lifetime ECL is the maximum loss in default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each loan receivable. The Company periodically reviews the ECL model to determine if industry trends or macro-economic factors have changed, causing a need to adjust the ECL model. The ECL - loans receivable recorded in the consolidated statement of net income (loss) is $117,408 as at March 31, 2024 (March 31, 2023 - $1,013,526) and ECL - accounts receivable recorded is $745,311 (March 31, 2023 - $nil).

Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a SICR when one or more of the following quantitative or qualitative criteria have been met:

- The investment is more than 30 days but less than 90 days in arrears on its contractual payment obligations;
- The Company's management believes the cash resources available to the investment may not be sufficient to meet ongoing needs; or
- The investment has significantly underperformed with respect to revenue growth and expense control.

A financial instrument is considered to be in stage 3 if:

- The borrower is 90 days past due on contractual payments;
- The borrower is in long-term forbearance;
- The borrower is insolvent; or
- The borrower is in material breach of financial covenants.

Expected credit loss model

The Company determines the lifetime expected credit loss to be the maximum loss in a default adjusted for the probability of loss. At each reporting period, the ECL is calculated for each accounts receivable and loan receivable.

The maximum default loss is a function of the relative exposure of the Company to a particular investment. The Company assesses this as a ratio of the enterprise value of the underlying entity to the amortized loan balance. Based on this ratio, the Company assigns the loan receivable to a maximum default loss band. Each band has a loss percentage based on historic experience.

The probability of default represents the likelihood that the borrower defaults on its financial obligation. As such it is dependent on the stage of the investment at the measurement date. An investment in stage 3 is in default by definition so the likelihood of default is 100%. Stage 1 and stage 2 credits are assigned default probabilities based on historic experience and an assessment of forward looking macro-economic trends. If Company management determines that a segment of the portfolio is facing macro-economic trends that differ from other investments in the portfolio, the probability of default will be adjusted accordingly for that segment.

The Company reviews the stage of each accounts receivable and loan receivable and recalculates the ECL every reporting period. Changes to the ECL are recognized on the consolidated statement of income (loss) in the period of the change.

MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to: a) identify and to invest in investments with strong cash-flow and long-term growth potential; b) to maintain financial strength, to protect its ability to meet its ongoing liabilities and to continue as a going concern and maintain creditworthiness; c) maximize returns for shareholders over the long-term. If the Company does not receive sufficient cash flows from its activities, it may have to undertake a private placement to cover its cash outflows.

The Company is subject to certain restrictions on its assets as described in the Financial Statements. The Company's share capital is not subject to external restrictions. The capital of the Company comprises shareholders' equity, notes payable, debentures and co-investment obligations.

The Company manages and adjusts the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

In compliance with the requirements of National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, the Certifying Officers have reviewed and certified the Financial Statements for the periods ended March 31, 2024 and 2023, together with other financial information included in the Company's interim securities filings.

OUTSTANDING SHARE DATA

As of March 31, 2024, the Company had 93,720,956 common shares outstanding, 28,485,994 Series A preferred shares outstanding, 498,800 Series 1 preferred shares 7,980,001 stock options, 1,751,050 restricted stock units and 5,650,000 performance share units. As of the date of this MD&A, the Company had 93,720,956 common shares outstanding, 28,485,994 Series A preferred shares and 498,800 Series C preferred shares outstanding, 7,280,001 stock options, 1,751,050 restricted stock units, 5,650,000 performance share units.

ON BEHALF OF THE BOARD:

"Ken Thomson"
Chief Executive Officer
MONFORT CAPITAL CORP.