MONTFORT CAPITAL CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is for the three and six month period ended June 30, 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 August 21, 2024.

This MD&A provides review of Montfort Capital Corporation's (the "Company") consolidated financial results for the three and six month period ended June 30, 2024 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 June 30, 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 six months ended June 30, 2024 and 2023:

Financial Highlights	June 30, 2024	June 30, 2023	% Change
Revenue	$ 23,317,057	$ 26,353,152	-12%
Loans receivable - net of ECL ***	348,805,445	320,581,709	9%
Net (loss) income	(5,397,305)	(3,027,398)	-78%
Net (loss) income attributable to shareholders	(5,417,916)	(2,979,722)	-82%
Adjusted net (loss) income**	(3,921,858)	(770,722)	-409%
Adjusted net (loss) income attributable to shareholders**	(3,942,469)	(723,046)	-445%
Earnings per common share*	(0.08)	(0.04)	-91%
Adjusted net (loss) income per common share* **	(0.06)	(0.02)	-202%

**reflects dividends paid*

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

****comparative Dec 31, 2023*

For the three months ended June 30, 2024 and 2023 the Company had the following highlights:

- Total revenue decreased $1,956,932 or 14.7% from $13,299,755 to $11,342,823. The change was driven by a reduction in portfolio size and the return of a low-margin portfolio of loans under administration in July 2023, as well as a decrease in fee generating activities year over year;
- Interest income from investments was down $1,361,880 or 13.8% to $8,486,963 for the three month period compared to $9,848,843 in the comparative period driven by decrease in portfolio size year over year;
- Income from transaction and other fees decreased 19.5% or $621,764 to $2,565,741 from $3,187,505 due to a decline in fee generating activities;
- Income from settlement of loans increased $25,066 or 100.0% from $nil to $25,066;
- Performance fee income increased $1,646 or 0.6% from $263,407 to $265,407;
- Total expenses increased $537,998 or 3.9% from $13,906,168 to $14,444,166 mainly driven by an increase in expected credit loss (accounts receivable) of $680,230 and an increase in interest and financing fees year over year of $394,934.
- Net loss increased 184.9% or $2,101,574 to a loss of $3,238,232 compared to a net loss of $1,1,36,658 in the comparative period, largely driven by a decline in year over year revenue.

For the six months ended June 30, 2024 and 2023 the Company had the following highlights:

- Total revenue decreased $3,036,095 or 11.5% from $26,353,152 to $23,317,057. 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 $1,622,455 or 8.4% to $17,733,349 for the six month period compared to $19,355,804 in the comparative period driven by decrease in portfolio size year over year;
- Income from transaction and other fees decreased 19.3% or $1,207,774 to $5,045,067 from $6,252,841 due to a decline in fee generating activities;
- Income from settlement of loans increased $44,606 or 100.0% from $nil to $44,606;
- Performance fee income decreased $250,472 or 33.6% from $744,507 to $494,035;
- Total expenses increased $43,983 or 0.2% from $28,779,079 to $28,823,062 mainly driven by an increase in expenses related to expected credit loss (accounts receivable) of $1,425,541 and increase in interest and financing fees of $1,073,406, offset by the net decrease in expenses related to expected credit loss (loans receivable) of $984,619 and decrease in restructuring of $650,000;
- Net loss increased 78.3% or $2,369,907 to a loss of $5,397,035 compared to a net loss of $3,027,398 in the comparative period, largely driven by a decline in year over year revenue.

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 originates, underwrites and services private-market, loans 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 that is not part of interest income.
- 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.
- 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 490 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 June 30, 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:		Three months ended June 30, 2024		Three months ended June 30, 2023		Six months ended June 30, 2024		Six months ended June 30, 2023
IFRS reported net income	$	(3,238,232)	$	(1,136,658)	$	(5,397,305)	$	(3,027,398)
Add:								
Acquisition costs		-		12,637		-		42,575
Share-based payments		168,504		323,420		445,031		497,877
Amortization		515,778		516,283		1,030,416		1,066,224
Restructuring		-		-		-		650,000
Adjusted net income	**$**	**(2,553,950)**	**$**	**(284,318)**	**$**	**(3,921,858)**	**$**	**(770,722)**

Reconciliation of adjusted net income attributable to shareholders:		Three months ended June 30, 2024		Three months ended June 30, 2023		Six months ended June 30, 2024		Six months ended June 30, 2023
IFRS reported net income attributable to shareholders	$	(3,252,850)	$	(1,113,243)	$	(5,417,916)	$	(2,979,722)
Add:								
Acquisition costs		-		12,637		-		42,575
Share-based payments		168,504		323,420		445,031		497,877
Amortization		515,778		516,283		1,030,416		1,066,224
Restructuring		-		-		-		650,000
Adjusted net income attributable to shareholders	**$**	**(2,568,568)**	**$**	**(260,903)**	**$**	**(3,942,469)**	**$**	**(723,046)**
Adjusted net income per common share	**$**	**(0.04)**	**$**	**(0.01)**	**$**	**(0.06)**	**$**	**(0.02)**

REVENUE

Total consolidated revenue for the three and six months ended June 30, 2024 was $11,342,823 and $23,317,057 compared to $13,299,755 and $26,353,152 for the three and six months ended in the comparative period, a 14.7% and 11.5% decrease respectively.

Interest income in the three and six months ended June 30, 2024 was $8,486,963 and $17,733,349, compared to $9,848,843 and $19,355,804 in the three and six months ended June 30, 2023, a 13.8% and 8.4% decrease respectively.

The Company's revenue is primarily interest income generated from the loan portfolio. As the Company's loan portfolio declines, interest revenue decreases. 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 $2,565,741 and $5,045,067 in the three and six months ended June 30, 2024 compared to $3,187,505 and $6,252,841 in the three and six months ended June 30, 2023, a decrease of 19.5% and 19.3% respectively. 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 and six months ended June 30, 2024 was $25,066 and $44,606 compared to $nil for the comparative period ended June 30, 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 six month period ended June 30, 2024 and 2023:

June 30, 2024		Corporate Lending		Consumer Lending		Montfort Operations		Total
Interest income	$	2,438,796	$	15,294,553	$	-	$	17,733,349
Income from transaction and other fees		1,509,722		3,535,345		-		5,045,067
Income from settlement of loans		34,606		10,000		-		44,606
Performance fee income		494,035		-		-		494,035
Total Revenue	**$**	**4,477,159**	**$**	**18,839,898**	**$**	**-**	**$**	**23,317,057**

June 30, 2023		Corporate Lending		Consumer Lending		Montfort Operations		Total
Interest income	$	3,585,384	$	15,770,420	$	-	$	19,355,804
Income from transaction and other fees		1,467,289		4,785,552		-		6,252,841
Income from settlement of loans		-		-		-		-
Performance fee income		744,507		-		-		744,507
Total Revenue	**$**	**5,797,180**	**$**	**20,555,972**	**$**	**-**	**$**	**26,353,152**

EXPENSES

During the six month period ended June 30, 2023, the Company's operating expenses increased in relation to revenue growth and were driven by acquisition activity.

		Six months ended June 30, 2024		Six months ended June 30, 2023
Operational expense, not including interest expense and expected credit loss	$	7,864,652	$	9,334,997
Interest expense and expected credit loss		20,958,410		19,444,082
Total Expenses	**$**	**28,823,062**	**$**	**28,779,079**

Operational expenses for the six month period ended June 30, 2024 and 2023:

- Administrative, management and directors' fees decreased $459,664 or 10.6% to $3,863,340 from $4,323,004. This decrease is mainly driven by headcount reduction.
- Office, travel, systems, and miscellaneous expenses decreased $79,696 or 10.2% to $698,992 for the current period compared to $778,688 in the prior period mainly driven by reduced travel costs incurred and reduction in office space.
- Marketing services and promotion expenses decreased $122,851 or 35.8% to $220,146 for the current period compared to $342,997 in the prior period as a result of reduced spending on contractors and services in this area year over year.
- Accounting and legal expenses increased $48,505 or 3% from $1,432,309 to $1,480,814.
- Investor relations, communications and regulatory decreased $117,985 or 48% from $243,898 to $125,913 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 and financing fees was $19,212,493 compared to $19,139,087, an increase of $1,073,406. The increase is mainly driven by increased interest rates year over year as well as an additional $391,620 of financing fees incurred on new loan arrangements year over year.
- Expected credit loss (loans receivable) expense was $320,376 compared to $1,304,995 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 a significant investment that experienced an increased credit risk resulting in increased expense. There was not a comparable event in the current period.
- Expected credit loss (accounts receivable) expense was $1,425,541 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. Recent increases in accounts receivable are driven by loan recovery shortfalls in mortgages receivable.

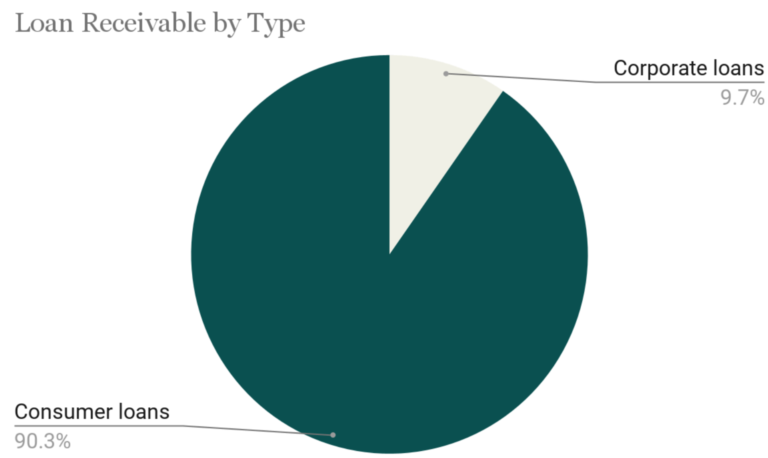
Operational expenses by segment for the six month period ended June 30, 2024 and 2023:

June 30, 2024	Corporate Lending	Consumer Lending	Montfort Operations	Total
Administrative, management and directors fees	$ 912,237	$ 1,423,350	$ 1,527,753	$ 3,863,340
Office, travel, systems, and miscellaneous	133,862	299,191	265,939	698,992
Marketing services and promotion	205,734	13,527	885	220,146
Accounting and legal	587,711	562,310	330,793	1,480,814
Investor relations, communications and regulatory fees	25,993	27,938	71,982	125,913
Impairment loss	-	-	-	-
Interest and financing fees	2,587,318	16,117,966	507,208	19,212,493
Expected credit loss (accounts receivable)	-	1,425,541	-	1,425,541
Expected credit loss (loans receivable)	5,169	315,207	-	320,376
Restructuring	-	-	-	-

June 30, 2023	Corporate Lending	Consumer Lending	Montfort Operations	Total
Administrative, management and directors fees	$ 1,440,227	$ 1,740,053	$ 1,142,725	$ 4,323,005
Office, travel, systems, and miscellaneous	208,969	324,268	245,451	778,688
Marketing services and promotion	322,969	20,027	-	342,996
Accounting and legal	352,440	569,371	510,498	1,432,309
Investor relations, communications and regulatory fees	36,816	314	206,769	243,899
Interest and financing fees	3,016,975	15,113,154	8,957	18,139,086
Expected credit loss (loans receivable)	999,395	305,599	-	1,304,994
Restructuring	-	-	650,000	650,000

REVIEW OF FINANCIAL POSITION

Total assets increased $29,848,389 or 7.4% to $432,356,622 at June 30, 2024 compared to $402,508,233 at December 31, 2023. Gross loans receivable before ECL are broken down as follows at June 30, 2024:



The following chart illustrates movement in the loan receivable balance post ECL from December 31, 2023 to June 30, 2024:

Loans Receivable		June 30, 2024
Opening balance	$	320,581,709
Advances on loans receivable		118,915,050
Interest revenue		17,733,349
Settlement of loans and interest collected		(108,296,444)
Foreign exchange		192,157
Expected credit loss		(320,376)
Closing balance	**$**	**348,805,445**

Loan Type		Carrying Value
Interest only loans	$	25,400,903
Amortizing Loans		8,406,138
Factored facilities		0
Mortgages		151,125,164
Insurance-backed loans		163,873,240
Total	**$**	**348,805,445**

SUMMARY OF QUARTERLY RESULTS

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Revenue	$ 11,342,823	$ 11,974,234	$ 12,145,894	$ 12,967,337	$ 13,299,755	$ 13,053,397	$ 13,858,173	$ 7,929,159
Net income (loss)	(3,238,232)	(2,159,073)	(5,583,175)	(3,892,151)	(1,136,658)	(1,890,740)	1,163,140	514,175
Net income (loss) and comprehensive income (loss)	(3,181,937)	(2,159,073)	(5,583,938)	(3,890,681)	(1,138,463)	(1,890,740)	789,425	2,579,941
Net income (loss) attributable to shareholders of the Company	(3,252,850)	(2,165,066)	(5,468,061)	(3,912,981)	(1,113,243)	(1,866,479)	201,169	(337,577)
Adjusted net income (loss)* attributable to shareholders	(2,568,568)	(1,373,901)	(4,663,657)	(3,083,603)	(260,903)	(462,143)	802,167	841,227
Net income (loss) attributable to non-controlling interests	14,618	5,993	(115,114)	20,830	(23,415)	(24,261)	961,971	851,752
Basic and diluted loss per share	(0.04)	(0.03)	(0.07)	(0.05)	(0.02)	(0.03)	(0.00)	(0.02)
Adjusted net income (loss) per share*	(0.04)	(0.02)	(0.06)	(0.04)	(0.01)	(0.01)	0.00	-
Total assets**	432,356,622	432,485,782	402,508,233	374,369,291	463,273,893	458,362,406	455,469,362	302,028,104
Total liabilities	400,765,932	396,972,225	364,276,223	329,974,636	414,374,944	408,127,848	402,604,542	257,059,272
Weighted average number of shares (in thousands)	93,972	92,714	92,693	92,193	91,859	91,650	107,161	75,502

**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 June 30, 2024, the Company's cash balance was $7,753,046 ($8,281,046 - December 31, 2023) and the Company had working capital of $16,300,082 (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 $390,935,281, the majority $289,528,163 is subject to variable rates ranging from prime -0.5% to prime +5.5%, while the remaining $101,407,118 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 June 30, 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 June 30, 2024:

	Recourse	Non recourse	Total
Corporate	$ 35,639,944	$ 35,084,418	$ 70,724,362
Consumer	-	320,210,919	320,210,919
Total	**$ 35,639,944**	**$ 355,295,337**	**$ 390,935,281**

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:

	Six months ended June 30, 2024	Six months ended June 30, 2023	Relationship
Interest expense paid	$ 271,545	$ 215,409	Directors, officers and corporations controlled by/family members of directors/officers
Debentures and loans payable	5,472,258	4,158,775	Directors, officers and corporations controlled by/family members of directors/officers
Accounts payable	86,380	94,454	Director/Officers
Rent expense paid	107,033	29,874	Corporation controlled by directors/officers or family member of management
Interest revenue recognized	38,890	295,692	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	113,469	-	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 August 21, 2024, the Company's board of directors declared a quarterly cash dividend of $0.02 per Series A Preferred Shares and $0.5649 per Series 1 Class C, payable on September 30, 2024, to preferred shareholders of record as of September 19, 2024.

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	June 30, 2024	December 31, 2023
Cash	Amortized Cost	$ 7,753,046	$ 8,281,046
Accounts receivable	Amortized Cost	13,137,522	8,605,909
Carried interest receivable	Amortized Cost	1,550,705	2,430,338
Loans receivable	Amortized Cost	348,805,445	320,581,709
Investments	FVTPL	1,107,100	1,247,903
Accounts payable	Amortized Cost	5,251,786	7,375,530
Loans payable	Amortized Cost	380,935,282	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 June 30, 2024:

	Balance at June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 1,107,100	$ -	$ -	$ 1,107,100
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 June 30, 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 June 30, 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$9,453,974 ($18,420,309 - June 30, 2023) which are currently valued at $12,939,654 ($24,425,330 - June 30, 2023) and loans payable totaling US$12,315,343 ($13,161,744 - June 30, 2023) which are currently valued at $16,808,121 ($17426149 - June 30, 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 $391,636 ($696,234 - June 30, 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 $1,220,796 ($1,296,054 - June 30, 2023).

As of June 30, 2024, 2.3% (6.5% - December 31, 2023) of mortgage loans receivable bear interest at fixed rates and 97.7% 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 $1,220,796 ($1,577,042 - June 30, 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.

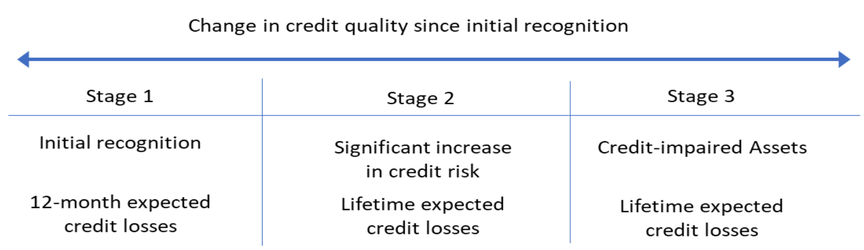
Expected credit loss measurement

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 $320,376 as at June 30, 2024 (June 30, 2023 - $1,304,995) and ECL - accounts receivable recorded is $1,425,541 (June 30, 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 June 30, 2024 and 2023, together with other financial information included in the Company’s interim securities filings.

OUTSTANDING SHARE DATA

As of June 30, 2024, the Company had 99,247,282 common shares outstanding, 28,485,994 Series A preferred shares outstanding, 498,800 Series 1 preferred shares 6,810,001 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 99,817,282 common shares outstanding, 28,485,994 Series A preferred shares and 498,800 Series C preferred shares outstanding, 6,810,001 stock options, 881,050 restricted stock units, 5,650,000 performance share units.

ON BEHALF OF THE BOARD:

"Ken Thomson"
Chief Executive Officer
MONFORT CAPITAL CORP.