



Montfort

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor. The accompanying unaudited consolidated condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these consolidated condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

MONTFORT CAPITAL CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND DECEMBER 31, 2021
(Expressed in Canadian Dollars)

ASSETS	September 30, 2022	December 31, 2021
Cash	\$ 5,453,721	\$ 9,314,526
Restricted cash	6,779,855	443,506
Accounts receivable	4,507,905	687,596
Current portion of loans receivable (Note 4)	190,969,712	70,481,905
Other current assets	304,954	150,566
Total Current Assets	208,016,147	81,078,099
Non-current assets		
Loans receivable (Note 4)	49,338,069	35,635,896
Equity investments (Note 5)	1,269,332	1,333,618
Right-of-use asset (Note 6)	141,859	202,655
Forward contract receivable (Note 11)	-	290,500
Intangible assets (Note 7)	6,782,858	3,005,400
Goodwill (Note 7)	36,479,839	3,533,801
TOTAL ASSETS	\$ 302,028,104	\$ 125,079,969
LIABILITIES		
Accounts payable and accrued liabilities (Note 15)	\$ 5,106,023	\$ 5,676,371
Current portion of debentures & co-investment obligations (Notes 9, 10)	9,285	105,488
Lease liability (Note 6)	156,975	218,618
Cash received in advance of equity issuance	-	941,524
Revolving credit facilities (Note 12)	-	4,485,129
Current portion of loans payable (Note 13)	213,864,487	67,810,891
Total Current Liabilities	219,136,770	79,238,021
Non-current liabilities		
Debentures & co-investment obligations (Notes 9, 10)	-	1,363,030
Deferred tax liability	1,831,372	838,080
Non-controlling interests (Notes 16)	36,091,130	30,513,576
TOTAL LIABILITIES	257,059,272	111,952,707
EQUITY		
Common shares (Note 14)	\$ 21,821,993	7,777,918
Preferred shares (Note 14)	27,378,214	9,560,495
Share-based payments reserve (Note 14)	1,961,193	1,608,314
Contributed surplus (Note 14)	82,070	68,370
Accumulated other comprehensive (income) loss	181,548	(44,097)
Accumulated deficit	(6,456,186)	(5,843,738)
Total equity	44,968,832	13,127,262
TOTAL LIABILITIES AND EQUITY	\$ 302,028,104	\$ 125,079,969

Nature of operations, Commitments and contingencies and Subsequent events (Notes 1, 8, 20)

Approved on behalf of the Board of Directors:

/s/ "Howard Atkinson"

Howard Atkinson, Director

See accompanying notes to the condensed interim consolidated financial statements.

/s/ "David Demers"

David Demers, Director

MONTFORT CAPITAL CORP.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF NET INCOME (LOSS) (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED AT SEPTEMBER 30, 2022 AND AUGUST 31, 2021
(Expressed in Canadian Dollars)

	Three months ended September 30, 2022	Three months ended August 31, 2021	Nine months ended September 30, 2022	Nine months ended August 31, 2021
REVENUE				
Interest income	\$ 5,733,006	\$ 1,246,042	\$ 13,010,557	\$ 3,598,730
Income from transaction and other fees	2,088,541	161,637	3,312,539	403,740
Income from settlement of loans	-	-	755,106	513,698
Performance fee income	107,612	-	329,978	-
TOTAL REVENUE	7,929,159	1,407,679	17,408,180	4,516,168
EXPENSES				
Accounting and legal	782,883	49,760	1,181,534	155,253
Administrative, management and directors fees (Note 15)	1,413,960	316,974	3,077,550	1,047,410
Amortization	651,747	-	923,444	-
Expected credit loss (recovery)	57,704	32,723	(54,098)	(3,713)
Investor relations, communications and regulatory fees	143,591	143,752	370,432	321,729
Interest and financing fees	3,505,196	192,219	7,111,609	615,021
Marketing services and promotion	228,947	151,484	565,416	332,906
Office, travel, systems, and miscellaneous	240,257	132,088	625,936	409,083
Share-based payments	179,579	21,630	380,485	112,788
TOTAL EXPENSES	7,203,864	1,040,630	14,182,308	2,990,477
OPERATING INCOME	725,295	367,049	3,225,872	1,525,691
Foreign exchange losses (gains)	(292,411)	(274,237)	(192,492)	336,478
Loss on settlement of debentures	-	-	21,297	44,584
Loss (gain) on forward contract	-	208,750	(30,716)	(14,500)
Acquisition costs	347,478	125,375	582,371	125,375
NET INCOME BEFORE TAXES	670,228	307,161	2,845,412	1,033,754
Income tax expense	331,780	-	352,570	-
Deferred tax recovery	(175,727)	-	(275,708)	-
NET INCOME	\$ 514,175	\$ 307,161	\$ 2,768,550	\$ 1,033,754
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the corporation	(337,577)	(249,774)	389,908	(820,776)
Non-controlling interest	851,752	556,935	2,378,642	1,854,530
NET INCOME	514,175	307,161	2,768,550	1,033,754
NET LOSS PER COMMON SHARE BASIC AND DILUTED	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	64,900,261	46,371,651	64,900,261	46,223,534

See accompanying notes to the consolidated financial statements.

MONTFORT CAPITAL CORP.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF NET INCOME (LOSS) (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED AT SEPTEMBER 30, 2022 AND AUGUST 31, 2021
(Expressed in Canadian Dollars)

	Three months ended September 30, 2022	Three months ended August 31, 2021	Nine months ended September 30, 2022	Nine months ended August 31, 2021
OTHER COMPREHENSIVE INCOME				
Net income	\$ 514,175	\$ 307,161	\$ 2,768,550	\$ 1,033,754
Other comprehensive income (loss)				
Items that may be reclassified to net income (loss):				
Foreign currency translation adjustment	2,065,766	911,749	2,600,560	(567,169)
NET COMPREHENSIVE INCOME	\$ 2,579,941	\$ 1,218,910	\$ 5,369,110	\$ 466,585
Comprehensive income (loss) attributable to:				
Shareholders of the corporation	\$ (159,264)	(181,788)	615,551	(844,011)
Non-controlling interest	2,739,205	1,400,698	4,753,559	1,310,596
NET COMPREHENSIVE INCOME	\$ 2,579,941	\$ 1,218,910	\$ 5,369,110	\$ 466,585

MONTFORT CAPITAL CORP.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021
(Expressed in Canadian Dollars)

	Nine months ended September 30, 2022	Nine months ended August 31, 2021
OPERATING ACTIVITIES		
Net income for the period	\$ 2,768,550	\$ 1,033,754
Share-based payments	380,485	112,788
Current & deferred tax expenses	76,862	-
Amortization	985,732	26,281
Interest revenue	(7,246,242)	-
Participation interest expense	(951)	-
Interest accrued and interest accretion	1,005,344	18,237
Expected credit loss (recovery)	(54,098)	(3,713)
Loss on extinguishment of debentures	21,297	44,584
Realized gain on investments	64,286	(513,698)
Unrealized gain on forward contract	-	(14,500)
Unrealized foreign exchange loss (gain)	(2,562,419)	336,469
Repayment of loans receivable	121,213,173	7,483,970
Advances of loans receivable	(131,753,397)	(14,961,230)
	(15,101,378)	(6,437,058)
Changes in non-cash working capital items:		
Restricted cash	(6,336,349)	-
Accounts receivable	(1,023,798)	(133,980)
Deposits and prepaid expenses	(32,352)	-
Forward contract	290,500	-
Share capital subscriptions received in advance	-	(77,759)
Accounts payable and accrued liabilities	(2,106,965)	174,463
CASH USED IN OPERATING ACTIVITIES	(24,310,342)	(6,474,334)
INVESTING ACTIVITIES		
Acquisition of brightpath	4,295,687	-
CASH PROVIDED BY INVESTING ACTIVITIES	4,295,687	-
FINANCING ACTIVITIES		
Payments on redemption of debentures and co-investors, net	(1,438,724)	(2,460,917)
Proceeds on issuance of preferred shares	-	727,000
Proceeds on issuance of common shares	1,233,749	-
Proceeds on issuance of Limited Partnership units	6,319,316	7,375,973
Proceeds on issuance of loans payable	58,346,063	-
Repayments of loans payable	(40,084,315)	-
Distributions paid through the Limited Partnerships	(5,495,322)	(4,170,096)
Dividends paid	(989,160)	(229,672)
Proceeds on exercise of options and warrants	146,977	225,000
Payments to co-investors	-	(20,427)
Lease payments, net	-	(35,918)
Proceeds from revolving credit facility	-	1,975,000
Repayment of revolving credit facility	(4,485,129)	-
Purchase of common shares under NCIB	(165)	(262,113)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	13,553,290	3,123,830
CHANGE IN CASH DURING THE PERIOD	(6,461,365)	(3,350,504)
EFFECT OF FOREIGN EXCHANGE ON CASH	2,600,560	(594,280)
CASH, BEGINNING OF PERIOD	9,314,526	12,872,769
CASH, END OF PERIOD	\$ 5,453,721	\$ 8,927,985

The Company paid \$164,962 of income taxes and all interest paid has been disclosed above.
See accompanying notes to the consolidated financial statements.

MONTFORT CAPITAL CORP.
CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021
(Expressed in Canadian Dollars)

	Common Shares		Preferred Shares		Share-based Payment Reserve	Contributed Surplus	Deficit	AOCL	Total Equity
	Number of Shares	Amount	Number of Shares	Amount					
As at November 30, 2020	45,776,225	5,807,175	5,210,994	4,584,495	1,465,059	82,070	(4,340,930)	(37,974)	7,559,895
Preferred shares issued	-	-	1,275,000	1,275,000	-	-	-	-	1,275,000
Share-based payments	-	-	-	-	112,788	-	-	-	112,788
Dividends paid	-	-	-	-	-	-	(229,672)	-	(229,672)
Shares repurchased and cancelled	(1,046,003)	(133,762)	-	-	-	-	(128,351)	-	(262,113)
Warrants exercised	1,125,000	225,000	-	-	-	-	-	-	225,000
Other comprehensive loss	-	-	-	-	-	-	-	(23,233)	(23,233)
Net loss	-	-	-	-	-	-	(820,776)	-	(820,776)
As at August 31, 2021	45,855,222	5,898,413	6,485,994	5,859,495	1,577,847	82,070	(5,519,729)	(61,207)	7,836,889
As at December 31, 2021	53,041,463	7,777,918	10,485,994	9,560,495	1,608,314	68,370	(5,843,738)	(44,097)	13,127,262
Shares issued for cash	6,253,571	2,175,273	-	-	-	-	-	-	2,175,273
Shares issued for acquisition	31,250,000	11,722,494	18,000,000	17,817,719	-	-	-	-	29,540,213
Dividends paid	-	-	-	-	-	-	(989,160)	-	(989,160)
Share-based payments	-	-	-	-	352,879	-	-	-	352,879
Options exercised	319,146	57,479	-	-	-	-	-	-	57,479
Warrants exercised	298,326	89,498	-	-	-	-	-	-	89,498
Shares repurchased and cancelled	(35,500)	(669)	-	-	-	13,700	(13,196)	-	(165)
Other comprehensive income	-	-	-	-	-	-	-	225,645	225,645
Net income	-	-	-	-	-	-	389,908	-	389,908
As at September 30, 2022	91,127,006	21,821,993	28,485,994	27,378,214	1,961,193	82,070	(6,456,186)	181,548	44,968,832

See accompanying notes to the condensed interim consolidated financial statements.

MONTFORT CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Montfort Capital Corp. (“Montfort” or the “Company”) is incorporated under the Business Corporations Act of British Columbia. The Company is listed on the TSX Venture Exchange (the “TSX-V”) trading under the symbol “MONT” as well as the OTCQB Venture Market (“OTCQB”) under the symbol of MONTF. In June 2022 the Company changed its name from TIMIA Capital Corporation to Montfort Capital Corporation.

The Company builds and manages private credit limited partnerships that have focused investing strategies for the institutional and accredited investors markets under three divisions: TIMIA Capital (TIMIA), Pivot Financial (Pivot) and Brightpath Capital Corporation (Brightpath).

- 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.

The Company’s head office and principal place of business is 835-1100 Melville St, Vancouver, British Columbia, Canada. These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 25, 2022.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Montfort prepares its condensed interim consolidated financial statements (“financial statements”) in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The preparation of condensed interim consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Montfort’s accounting policies. In 2021 the Company changed its financial reporting year-end from November 30 to December 31.

Basis of presentation

The condensed interim consolidated financial statements have been prepared using the historical cost basis except for certain financial instruments, which are measured at fair value. All amounts are expressed in Canadian dollars unless otherwise stated. Certain comparative figures in these condensed interim consolidated financial statements have been reclassified in order to conform with the current year presentation.

Basis of consolidation

The Company uses the criteria outlined in IFRS 10 in order to determine whether it has control of its Limited Partnerships. In applying the criteria outlined in IFRS 10, judgment is required in determining whether TIMIA controls TIMIA Capital I Limited Partnership (“LP I”), TIMIA Capital II Limited Partnership (“LP II”) and TIMIA Capital Preferred Return III Limited Partnership (“LP III”), together the “LPs”. Making this judgment involves taking into consideration the concepts of power over LP I, LP II and LP III, exposure and rights to variable returns, and the ability to use power to direct the relevant activities of the LP’s so as to generate economic returns. Using these criteria, management has determined that TIMIA does control the LP’s and as a result consolidates the accounts of LP I, LP II and LP III. Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies of such entities so as to obtain economic benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)**

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

These condensed interim consolidated financial statements include the accounts of the Company and the following subsidiaries:

Entity	Country	Percentage Ownership of Parent
TIMIA Capital Corp.	Canada	-
TIMIA Capital GP Inc.	Canada	100%
TIMIA Capital I Limited Partnership	Canada	12.39%
TIMIA Capital II Limited Partnership	Canada	5.02%
TIMIA Capital III Preferred Return Fund Limited Partnership	Canada	13.42%
TIMIA Capital III Preferred Return Fund	Canada	0%
TIMIA Capital II GP Inc.	Canada	100%
TIMIA Capital III GP Inc.	Canada	100%
TIMIA Capital Holdings Limited Partnership	Canada	100%
Pivot Financial Services Inc.	Canada	100%
Pivot Financial I Limited Partnership	Canada	100%
2862454 Ontario Inc.	Canada	100%
Brightpath Capital Corporation	Canada	100%
Brightpath Residential Mortgage LP I	Canada	100%
Brightpath Servicing Corporation	Canada	100%
Albright Holdings Inc.	Canada	100%
2754681 Ontario Inc.	Canada	100%
9975756 Canada Inc.	Canada	100%
10260835 Canada Corp.	Canada	100%

All significant intercompany balances and transactions have been eliminated on consolidation.

Significant accounting policies

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021. The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2021.

MONTFORT CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021 (Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

New accounting policies applicable for this quarter ending September 30, 2022 due to the acquisition of Brightpath include the following:

Revenue Recognition

Interest Income

Mortgage interest is recognized using the effective interest method. Late fees and penalties are recognized as incurred.

Income from transaction and other fees

Late fees and penalties are recognized as incurred. Lender fees are recognized using the effective interest method.

Financial assets

Mortgages are included in loans receivable and are classified and measured at amortized cost. Transaction costs are expensed as incurred in the Statement of Net Income (Loss). Interest income on mortgage loans receivable is calculated using the effective interest rate method.

Significant accounting judgements and estimates

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the condensed interim consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Loans receivable are reviewed on a quarterly basis as to their collectability and an appropriate impairment charge is provided where considered necessary. The Company estimates an expected credit loss on a quarterly basis by reviewing the underlying loan portfolio. The allowance represents the Company's estimate of the expected credit losses inherent in the loan portfolio, net of the future income stream belonging to the holders of the co-investment agreements. In addition, the Company also completes a loan specific analysis to assess whether there are indications of impairment. The Company reviews a variety of factors such as maintenance of loan repayments in accordance with the contractual obligations, general economic conditions, the underlying stability of the company to which the loan was granted and has periodic discussions with the management of each company. The Company then makes an assessment using this information on whether or not the loan is impaired.

Changes in these estimates and assessments may have a material impact on these condensed interim consolidated financial statements. Other significant areas of estimation uncertainty considered by management in preparing the condensed interim consolidated financial statements are:

- Classification of financial assets on initial recognition
- Determination of the fair value of mortgages receivable
- Amortization period of financing fees
- Variables used in determining expected credit losses;
- Fair value of equity investments not quoted in an active market;
- Measurement of equity and liability components of convertible debentures;
- Recognition of deferred tax assets;

MONTFORT CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

- Estimated fair values of share-based payments awards;
- Fair value of identifiable assets acquired and liabilities assumed in a business combination.

Significant areas of judgment considered by management in preparing the condensed interim consolidated financial statements are:

- Determination of control of entities, giving rise to the consolidation thereof; and
- Indicators of impairment of financial instruments, intangible assets and goodwill.

3. BUSINESS ACQUISITION

Brightpath Capital Corporation

On August 15, 2022, the Company acquired all the outstanding common shares of Brightpath Capital Corporation ("Brightpath Capital"), Brightpath Servicing Corporation ("Brightpath Servicing"), Albright Holdings Inc., 9975756 Canada Inc., 2754681 Ontario Inc., 10260835 Canada Corp. and all outstanding limited partnership units of Brightpath Residential Mortgage LP I (together "Brightpath"), together the "Acquisition" or "Acquired Companies". Brightpath is a private provider of residential mortgages focused in Ontario and British Columbia. Brightpath offers private credit to individuals who are self-employed, experiencing credit issues, or looking at real estate renovation or development projects. The acquisition is intended to accelerate the growth of Brightpath in combination with Montfort.

The acquisition has been accounted for as a business combination under the acquisition method. The results of operations of the business since the date of acquisition have been consolidated.

Consideration

Total consideration transferred by the Company was \$29,540,213, consisting of 31,250,000 common shares issued for \$11,722,494 and 18,000,000 Series A preferred shares issued for \$17,817,719. The working capital adjustment has not yet been determined. The number of shares issued was determined based on the trading price on closing of the transaction less a discount due to trading restrictions on each tranche of shares issued.

Identifiable assets acquired and liabilities assumed

The Company is in the process of determining the fair values of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post closing adjustments, therefore amounts recognized for assets acquired, specifically relating to intangible assets and goodwill, are provisional.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

3. BUSINESS ACQUISITION**Identifiable assets acquired and liabilities assumed (continued)**

The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date:

	Total
Cash	4,295,678
Accounts receivable	2,796,498
Prepaid expenses	108,392
Loans receivable	158,474,873
Property and equipment	14,547
Right-of-use-asset	1,492
Intangible assets	4,700,000
Accounts payable and accrued liabilities	(1,135,213)
Loans payable	(171,391,345)
Lease liabilities	(1,747)
Deferred tax liability	(1,269,000)
Total identifiable net assets at fair value	(3,405,825)
Goodwill arising on acquisition	32,946,038
Total	29,540,213
Purchase Price	
Total value of shares issued on acquisition	29,540,213
Working capital payment	-
Total Purchase Price	29,540,213

The determination and measurement of fair value of the identifiable intangible assets was based on the estimated net present value of future cash flow streams associated with each intangible asset. These estimates are based on management's best estimates and assumptions and utilizes established methodologies. Estimates in valuing the identifiable intangible assets include future expected cash flows and discount rates applied to future expected cash flows. During the period ended September 30, 2022, acquisition related costs of \$582,371 have been expensed as incurred. Revenue included in the consolidated statement of income since the acquisition date for the period ended September 30, 2022 related to Brightpath was \$3,950,995. The net income before income taxes included in the consolidated statement of income since the acquisition date to September 30, 2022 was \$1,472,006. Revenue and net income of the combined entity for the period ended September 30, 2022 as though the acquisition date had occurred at the beginning of the period would be \$31,925,883 and \$7,352,035, respectively.

The primary factors that contributed to a residual purchase price resulting in the recognition of goodwill include Brightpath's assembled workforce, expected synergies, intangible assets not separately identified and other benefits from combining the assets and activities with those of the Company. The goodwill is not deductible for tax purposes.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

4. LOAN RECEIVABLE

The Company makes loans through its operating segments, personal and business lending. The term of loans receivable range from on demand to six years.

	September 30, 2022	December 31, 2021
Opening balance	106,916,931	27,614,080
Loans acquired in acquisition	158,474,872	66,303,932
Loan eliminated through intercompany consolidation	(43,344,472)	-
Advances on loans receivable	129,753,397	60,491,923
Interest revenue	6,976,785	7,649,247
Interest and principal payments	(79,533,211)	(39,625,310)
Net change in deferred lender fees	269,457	-
Settlement of investments	(41,335,490)	(15,354,934)
Foreign exchange	2,893,367	(162,007)
Closing balance prior to ECL	241,071,636	106,916,931
ECL (loan loss) provision, opening balance	(799,130)	(366,783)
ECL (loan loss) provision, acquired in acquisitions	(92,420)	(376,307)
Add: ECL provision for outstanding loans	146,518	(57,084)
Add: Fx translation adjustment	(18,823)	1,044
ECL (loan loss) provision, closing balance	(763,855)	(799,130)
Closing balance prior to ECL	241,071,636	106,916,931
Less: current portion	(190,969,712)	(70,481,905)
ECL (loan loss) provision, closing balance	(763,855)	(799,130)
Loans receivable, net of ECL, non-current portion	49,338,069	35,635,896

The expected credit loss provision for the period from January 1, 2022 to September 30, 2022 is calculated as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening amortized loan balance	\$ 104,470,715	\$ 2,446,216	\$ -	\$ 106,916,931
Loans acquired in acquisitions	147,028,829	11,446,043	-	158,474,872
Loan eliminated through intercompany consolidation	(43,344,472)	-	-	(43,344,472)
Advances on loans receivable	120,726,422	21,297,999	-	142,024,421
Interest revenue, net of interest and principal payments	(50,770,398)	(21,525,890)	-	(72,296,288)
Foreign exchange	2,674,303	219,064	-	2,893,367
Loans receivable moved to stage 1	718,087	(718,087)	-	-
Loans receivable moved to stage 2	(6,075,634)	6,075,634	-	-
Loans receivable moved to stage 3	-	-	-	-
Settlement of investments	(51,229,198)	(2,367,997)	-	(53,597,195)
Closing balance	224,198,654	16,872,982	-	241,071,636

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

4. LOAN RECEIVABLE (continued)

Expected Credit Loss, opening balance	\$ (358,811)	\$ (440,319)	\$ -	\$ (799,130)
ECL (loan loss) provision, acquired in Pivot acquisition	(71,609)	(15,942)	-	(87,551)
Add: ECL for outstanding loans	72,232	69,418	-	141,650
Foreign exchange translation adjustment	(18,824)	-	-	(18,824)
Expected Credit Loss, closing balance	\$ (377,012)	\$ (386,843)	\$ -	\$ (763,855)
Closing balance prior to ECL	224,198,654	16,872,982	-	241,071,636
Less: current portion	(176,621,126)	(14,348,586)	-	(190,969,712)
ECL (loan loss) provision, closing balance	(377,012)	(386,843)	-	(763,855)
Loans receivable, net of ECL, non-current portion	\$ 47,200,516	\$ 2,137,553	\$ -	\$ 49,338,069

Details of the expected credit loss model can be found in Note 17 under the heading *Expected Credit Loss Measurement*.

Loans receivable by type

The Company provides five types of loan facilities:

Interest Only Loans

TIMIA and Brightpath offer Interest Only Loans that are designed for borrowers that anticipate achieving a financing milestone in the relatively near future. TIMIA's loans, typically two to five years in length, require the borrower to pay approximately two thirds of the interest monthly. The remainder of the interest is accrued over the term of the loan and is due and payable at the end of the term.

Mortgages

Brightpath's mortgages consist of loans secured by residential property and are repayable monthly, with the principal balance due on maturity. Mortgages have a combination of fixed and variable rates of interest ranging between 5.0% and 17.1% and all mature within one year of origination. The weighted average effective interest rate of the portfolio as at September 30, 2022 is 10.15%, which includes the effect of interest plus the effect of the lender fees earned on the portfolio. Included in accounts receivable is accrued interest on mortgages receivable of \$1,834,341.

Mortgage lender fees are charged to customers upon issuance of the loan and withheld from the principal funds forwarded to the customer. These fees make up part of the effective interest earned on the loans and as such are recognized into income over the life of the loan. As at September 30, 2022 there was \$2,661,057 of unrecognized lender fees on outstanding mortgage loans receivables.

Amortized Loans

TIMIA offers Amortized Loans which are a type of growth capital provided to a company in which the timing of loan payments are tied to the forecast revenue of the company. Any unamortized amounts are due and payable at the end of the term.

Term Loans and Factored Facilities

Pivot Financial provides Term Loan and Factored Facilities that are asset-based loans with fixed or determinable payments. Factored facilities earn administration fees up to 1.5% and are purchased with recourse. Term loans have generally fixed interest rates ranging from 9.5% - 15%, secured and range in maturity generally are due on demand or in a period less than one year.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

4. LOAN RECEIVABLE (continued)**Loans receivable by (continued)**

The following table presents a breakdown of the loan portfolio by type of loan:

	At September 30, 2022	At December 31, 2021
	Carrying Value	Carrying Value
Interest Only Loans	15,772,652	17,447,964
Amortized Loans	36,523,115	20,905,388
Term Loans	15,871,044	63,455,852
Factored Facilities	4,077,021	4,308,597
Mortgages	168,063,949	-
Total	\$240,307,781	\$106,117,801

Loans receivable by geography

The Company advances loans in Canada and the United States of America. The following table presents a breakdown of the loan portfolio by geography, denominated in Canadian dollars. At September 30, 2022, \$nil of restricted cash relates to cash held on behalf of a portfolio company (December 31, 2021 - \$443,506).

	At September 30, 2022	At December 31, 2021
Canada	\$194,759,304	\$74,781,519
United States of America	\$45,548,477	31,336,282
Total	\$240,307,781	\$106,117,801

5. EQUITY INVESTMENTS

As at September 30, 2022 and December 31, 2021, the Company held the following equity investments:

Investees	Common Shares	Cost	September 30,	December 31,
			2022	2021
			Fair Value	Fair Value
Moj.io Inc.	427,998 \$	43 \$	462,300 \$	462,300
Lambda Solutions Inc.	185,000	46,538	77,700	77,700
CamDo Solutions Inc.	1,062,500	25,100	425,100	425,100
Greenspace Brands Inc.	1,428,572	100,000	21,429	85,715
AvenueHQ	50,000	282,803	282,803	282,803
	\$	454,484 \$	1,269,332 \$	1,333,618

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

6. RIGHT-OF-USE ASSET AND LEASE LIABILITY

In May 2021, the Company's head office relocated and entered into a lease agreement for office space in Vancouver for a monthly lease payment of \$6,721 with a term of three years. There is no extension contemplated in the lease agreement. Under IFRS 16, the Company recognizes lease liabilities measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates. The rate applied to the lease liabilities on May 1, 2021 was 8%. The details of the right-of-use assets and lease liabilities recognized as at September 30, 2022 are as follows:

Right-of-use asset

	September 30, 2022		December 31, 2021	
Beginning balance	\$	202,655	\$	26,565
Present value of lease payments		-		230,132
Amortization		(60,796)		(54,042)
Ending balance	\$	141,859	\$	202,655

Lease liability

	September 30, 2022		December 31, 2021	
Beginning balance	\$	218,618	\$	29,430
Present value of lease payments		-		227,266
Accrued interest		11,477		13,153
Cash payment		(73,120)		(51,231)
Ending balance	\$	156,975	\$	218,618

7. INTANGIBLE ASSETS AND GOODWILL

Intangible assets were acquired by Montfort as part of the Pivot and Brightpath acquisitions. In the Pivot acquisition, the Company acquired a customer relationship and service contract. The customer relationship was subject to accelerated amortization in the three month period ended September 30, 2022 as a result of the acquisition of Brightpath.

The intangible asset acquired as part of the Brightpath acquisition included lender relationships which have a limited life and are amortized on a straight-line basis over the useful life, estimated to be approximately five years from acquisition. Goodwill was acquired as part of the Pivot and Brightpath acquisition and is tested for impairment on an annual basis.

	Intangible assets			
	Service contract	Customer relationships	Lender relationships	Goodwill
Beginning balance - January 1, 2022	\$ 2,485,400	\$ 520,000	\$ -	\$ 3,533,801
Addition through business acquisition (see Note 3)	-	-	4,700,000	32,946,038
Less: amortization	(284,075)	(520,000)	(118,467)	-
Ending balance - September 30, 2022	\$ 2,201,325	\$ -	\$ 4,581,533	\$ 36,479,839

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS AND GOODWILL (continued)

	Intangible assets		
	Service contract	Customer relationship	Goodwill
Beginning balance - November 30, 2020	\$ -	\$ -	\$ -
Additions through business acquisition	2,584,000	520,000	3,533,801
Less: amortization	(98,600)	-	-
Ending balance - December 31, 2021	\$ 2,485,400	\$ 520,000	\$ 3,533,801

8. COMMITMENTS AND CONTINGENCIES

The Company has provided guarantees and limited recourse guarantees to certain lenders with respect to loan payable agreements in place. These arrangements were acquired as part of the Pivot acquisition. Recourse is limited to the lender's right, title and interest in collateral under the loan agreement, such as cash and other assets defined.

Brightpath Capital has been named as a defendant in a lawsuit arising in the ordinary course of business. Due to the nature of the claim and the inability to estimate the outcome, no amount has been recorded in these financial statements.

9. DEBENTURES

During fiscal 2018 and 2019 the Company issued Series E debentures for a total of \$1,320,000 with warrants. This private placement which was priced at \$100 per unit resulted in a total issuance of 13,200 debentures and 440,000 warrants. The debentures bear an interest rate of 12% per annum, payable quarterly in arrears, have a term of five years from November 30, 2018 and are secured against the assets of the Company. The warrants are exercisable for five years from November 30, 2018, at a price of \$0.30 per share. A total commission of \$28,700 and 95,666 broker warrants, exercisable at \$0.30 with a two-year term, were paid as part of this transaction.

On March 31, 2022, the Company repaid all issued and outstanding Series E debentures ahead of the scheduled maturity date. Total repayment amount including principal and interest was \$1,103,864. A loss on settlement of debentures of \$21,297 (2021 - \$44,584) was recorded in the consolidated statement of net income (loss). Warrants associated with these debentures expired on May 31, 2022.

	September 30, 2022	December 31, 2021
Series D debentures	\$ -	\$ -
Series E debentures	-	1,225,455
Total Debentures	\$ -	\$ 1,225,455
Less: current portion	-	(19,558)
Total Debentures	\$ -	\$ 1,205,897

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

10. CO-INVESTMENT OBLIGATIONS

The Company entered into co-investment agreements that provide non-dilutive capital in exchange for the ability for qualified investors to participate directly in the Company's portfolio of investments ("Co-investors"). Under this model, Co-investors enter into an agreement that entitles them to receive a fixed percentage of all cash flow derived from a specified portfolio of investments. The co-investment agreements will terminate upon the discharge of all of the obligations of the respective parties that make up the underlying loans receivable portfolio. The actual amounts paid and timing of payments under the co-investment agreements depend on the performance of the underlying loans receivable. Total amounts owing at September 30, 2022 are recorded as Co-investment obligations on the consolidated statement of financial position.

11. FOREIGN CURRENCY FORWARD CONTRACT

On April 16, 2020, the Company entered into a forward contract to secure access to US funds for a fixed foreign exchange rate. The Company uses foreign currency forward contracts to manage risk related to variable foreign exchange rates. Under the forward contract, the Company agreed to sell US\$2,500,000 for \$3,493,750 on April 29, 2021. In March 2021, the maturity date was extended to August 31, 2021. In August 2021 the maturity date was extended to December 31, 2021 and the settlement amount revised to \$3,460,000. In November 2021 the maturity date was extended to January 14, 2022.

On January 14, 2022, the forward contract matured and was net settled with the counterparty. The gross amount receivable was \$3,130,538 and a gain of \$30,716 was recognized in the period.

12. REVOLVING CREDIT FACILITIES

On January 17, 2022, the outstanding revolving credit facility with accrued interest was repaid in the amount of \$4,508,423.

13. LOANS PAYABLE

Loans payable consists of the following as at September 30, 2022 and December 31, 2021:

	Interest Rate	Security	Note	September 30, 2022	December 31, 2021
Loans payable	10%	Unsecured	(i)	1,000,000	1,340,000
Loans payable	10.75%	Unsecured	(i)	10,500,000	5,500,000
Loans payable	11%	Unsecured	(i)	6,689,481	11,120,891
Loans payable	Higher of prime + 5.3 or 9.25%	Secured	(i)	20,032,800	8,850,000
Loans payable	Higher of prime + 5.5 or 9.5%	Secured	(i)	60,000,000	41,000,000
Investor loans	8% - 15%	Unsecured	(ii)	48,197,692	-
Demand loan	Higher of prime + 2% or 4.45%	Secured	(iii)	67,444,514	-
				213,864,487	67,810,891
Less: current portion				213,864,487	67,810,891
				-	-

(i) *Loans payable*

For all loans payable, the initial term is set at one year. The lender has the option to extend while the Company has the option to repay at any time, therefore all loans payable are classified as current liabilities.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

13. LOANS PAYABLE (continued)

The secured loans payable is a revolving credit facility from a senior lender and has a combined authorized limit of \$60,000,000. The security on the secured loan payable to the lender is a general security agreement and directly related to a loan receivable from a related party. The agreement also includes covenants regarding reporting requirements, liens on account, distribution limitations and cash investment limits. The loan is designated as fair value through profit & loss (FVTPL) to ensure measurement consistency with the credit risk associated with the related loan receivable that is security to the loan.

All loans include covenants which the Company is required to report on a regular basis. Covenants restrict total debt levels relative to permitted investments as well as total net debt relative to subordinated debt. The Company was in compliance with all covenants as at September 30, 2022.

(ii) Investor loans

Investor loans are unsecured, due on demand with maturity dates ranging between 90 to 180 days from day of demand with fixed interest rates ranging between 8% - 15%. The weighted average interest rate to maturity for September 30, 2022 is:

		2022 Weighted	
	Principal	Average	Average Term
Fixed rate due less than one year	\$ 48,197,692	11.90%	175

Total interest expense on investor loans for the period ending September 30, 2022 was \$707,784.

(iii) Demand loan

The demand loan is in the form of an uncommitted senior secured revolving credit demand facility for the purpose of purchasing eligible mortgages and incurs interest at the greater of the Canadian Bank Prime Rate plus 1.5%, or 4.2% per annum. The maximum capacity that the Brightpath Residential Mortgage LP I can draw on under this loan is the lesser of the maximum borrowing amount on the date of the loan, and \$100,000,000. The debt for each individual mortgage is due on each mortgage settlement date. The demand loan is secured by mortgages held by Brightpath Residential Mortgage LP I as well as the co-ownership interest of mortgages held by Brightpath Capital Corporation, granting the lender first priority lien on all collateral. The demand loan is guaranteed by a limited recourse guarantee made by the General Partner of Brightpath LP in favour of the lender.

The Company incurred financing fees in order to obtain financing. These fees will be expensed as incurred.

14. SHARE CAPITAL*(a) Common shares:*

An unlimited number of common voting shares are authorized without par value. As of September 30, 2022 TIMIA has 91,217,006 common shares issued and outstanding. On January 5, 2022, the Company closed a private placement having raised an aggregate of \$2,188,750 and issued 6,253,571 units at a price of \$0.35 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.50 for a period of 24 months following the closing date.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)*(b) Preferred shares:*

As of September 30, 2022, TIMIA has 28,485,994 non-cumulative Series A Preferred shares issued and outstanding. Holders of Preferred shares will be entitled to receive fixed non-cumulative preferential cash dividends, if, as and when declared by the board of Directors of the Company at an annual rate equal to \$0.08 per Preferred share. Dividends, if declared, will be payable on the last day of December, March, June and September in each year, or if such day is not a business day, on the next business day, at a quarterly rate of \$0.02 per Preferred Share.

The Preferred Shares will rank senior to the Common shares of the Company with respect to declared but unpaid dividends. The Preferred Shares are retractable by the Corporation at any time on or after the date that is three years after the Closing Date. On or after the date that is three years after the closing date, the Company may, at its option, upon 10 days' prior written notice, retract all or any number of the Preferred shares. Upon notice of retraction by the Company, holders of the Preferred Shares may elect to receive either: (a) a cash payment equal to the offering price; or (b) one Common share in exchange for each one Preferred share, subject to adjustment. The Preferred shares do not have a fixed maturity date and are not redeemable at the option of the holders of Preferred shares. Holders of the Preferred shares may elect to convert the Preferred shares into Common shares on the basis of one Common share for each Preferred share held, subject to adjustment, at any time.

(c) Dividends declared:

On a quarterly basis the Company's Board of Directors declared and paid dividends on Series A Preferred shares as follows:

Dividend declaration date	Dividend payment date	Dividend rate	Total dividends paid	
March 9, 2022	March 31, 2022	0.0200	\$	209,720
May 26, 2022	June 30, 2022	0.0200		209,720
September 8, 2022	September 29, 2022	0.0200		569,720
			\$	989,160

*(d) Stock options and share unit plan:*Stock options

The Company has adopted an equity incentive plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the issued and outstanding Common Shares as at the grant date. Under the plan, the exercise price of an option shall not be less than the discounted market price at the time of granting, or as permitted by the policies of TSX-V. Options granted may not exceed a term of ten years from the grant date. The vesting period for all other options will be determined by the Board of Directors at the time of each grant.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2020	4,075,000	\$ 0.18
Issued	1,355,000	0.32
Exercised	(600,000)	0.14
Balance, December 31, 2021	4,830,000	\$ 0.22
Issued	1,825,000	0.42
Expired	(15,854)	0.20
Exercised	(319,146)	0.18
Balance, September 30, 2022	6,320,000	\$ 0.28

(d) *Stock options and share unit plan: (continued)*

Additional information regarding stock options outstanding as at September 30, 2022 is as follows:

Outstanding			Exercisable		
Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
0.14	480,000	0.00	0.14	480,000	0.14
0.17	500,000	0.61	0.17	500,000	0.17
0.18	75,000	1.38	0.18	75,000	0.18
0.19	480,000	3.30	0.19	271,342	0.19
0.22	870,000	1.62	0.22	870,000	0.22
0.20	565,000	2.44	0.20	481,927	0.20
0.17	600,000	2.67	0.17	600,000	0.17
0.17	50,000	2.73	0.17	37,854	0.17
0.30	275,000	3.98	0.30	93,790	0.30
0.44	600,000	4.07	0.44	555,616	0.44
0.42	700,000	4.35	0.42	156,712	0.42
0.375	30,000	4.65	0.38	3,479	0.38
0.4	900,000	4.88	0.40	36,986	0.40
0.48	145,000	4.98	0.48	1,059	0.48
0.46	50,000	4.99	0.46	183	0.46
	6,320,000	2.94	0.28	4,163,948	0.23

Option-pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. The expected volatility used in valuing stock options is based on volatility observed in historical periods. Changes in the underlying assumptions can materially affect the fair value estimates. The fair value of the options re-priced and granted to officers, directors, consultants, and employees was calculated using the Black-Scholes Option Pricing Model with following weighted average assumptions and resulting grant date fair value:

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)*(d) Stock options and share unit plan: (continued)*

	2022	2021
Weighted average assumptions:		
Risk-free interest rate	0.41% - 3.50%	0.41% - 1.42%
Expected dividend yield	-	-
Expected option life (years)	5	5
Expected stock price volatility	79% - 89%	89%
Weighted average fair value at grant date	\$0.38-\$0.48	\$0.32
Expected forfeiture rate	-	-

The Company has a share unit (SU) plan that allows for the granting of restricted share units (RSUs), performance share units (PSUs), deferred share units (DSUs) and Stock Appreciation Rights (SARs) to directors and employees. The maximum number of the Company's common shares that may be issued under the share unit plan as of September 30, 2022 is 9,121,700.

RSUs granted entitle participants to receive one common share of the Company for each share unit granted if certain vesting and performance conditions are achieved. PSUs entitle participants to receive common shares of the Company if certain performance and vesting criteria are achieved. DSUs granted entitle participants the right to receive one common share of the Company for each share unit granted if certain vesting conditions are achieved. Each DSU shall initially have a value equal to the market price of a common share as at the date the DSU is granted. SARs granted entitle participants to receive one common share of the Company, a cash payment or a combination thereof for each right if certain performance and vesting criteria are achieved. Under the plan, the exercise price of an option shall not be less than the market price at the time of grant.

The performance criteria of the share units may be based upon the achievement of corporate or individual goals, and may be applied relative to performance relative to an index or comparator group, or on any other basis determined by the Board. The Board may modify the performance criteria as necessary to align them with the Corporation's corporate objectives.

A summary of the SU activity is presented as follows:

	SUs	
	# of PSUs	# of RSUs
SUs outstanding, January 1, 2022	-	-
Issued	5,400,000	700,000
SUs outstanding, September 30, 2022	5,400,000	700,000
Weighted average fair value	0.12	0.40
Weighted average remaining contractual life (years)	2.88	1.73

(d) Normal Course Issuer Bid

On February 24, 2021, the TSXV approved and the Company announced its intention to commence a normal course issuer bid (NCIB) to repurchase the Company's common shares. Under the NCIB the Company may purchase for cancellation up to 3,313,699 common shares over a 12-month period ending February 28, 2022. Transactions were executed from time to time in the open market in accordance with the rules and policies of the TSXV. Purchase and payment for the shares made by the Company

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (continued)(d) *Normal Course Issuer Bid (continued)*

were made in accordance with the rules of the TSXV and the price that the Company paid for any shares acquired by it at the market price of the shares at the time of acquisition. The Company entered into a share purchase plan with a broker in order to facilitate the repurchase of its shares under the NCIB which covers the period from March 1, 2021 to February 28, 2022. Under the Plan, the Company's broker was able to repurchase common shares under the NCIB. Purchases were made by Montfort's broker based upon the parameters prescribed by the TSX and the terms of the plan.

(e) Warrants:

	Number of Warrants		Weighted Average Exercise Price
Balance, November 30, 2020	6,550,239	\$	0.22
Exercised	(1,254,168)		0.21
Expired	(4,864,404)		0.20
Balance, December 31, 2021	431,667	\$	0.30
Granted	2,511,681		0.50
Expired	(133,339)		0.30
Exercised	(298,328)		0.30
Balance, September 30, 2022	2,511,681	\$	0.50

Additional information regarding warrants outstanding and exercisable as at September 30, 2022 is as follows:

Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (years)		Weighted Average Exercise Price
0.50	2,511,681	1.27	\$	0.50

15. RELATED PARTY TRANSACTIONS AND EXECUTIVE COMPENSATION

The Company may have transactions 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 Company had the following related party transactions:

- (a) During the nine months ended September 30, 2022, \$4,438 (August 31, 2021 - \$20,745) of interest from debentures was paid to certain directors, officers, family members of directors and officers and a company controlled by a director.
- (b) Accounts payable of \$138,995 (August 31, 2021 - \$17,586) was due to directors and/or officers identified as key management personnel as at September 30, 2022.
- (c) Rent expense of \$29,055 (August 31, 2021 - \$14,238) was accrued or paid during the nine months ended September 30, 2022 to a third party company controlled by the CFO.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS AND EXECUTIVE COMPENSATION (continued)

- (d) Investments held by officers and directors, and their family members or companies controlled by them, for \$6,399,098 of Limited Partner net assets as at September 30, 2022 and \$4,824,909 at December 31, 2021.
- (e) Investor loans of \$2,000,000 (December 31, 2021 - \$nil) are due to directors and/or officers identified as key management personnel as at September 30, 2022. On these investor loans, interest expense of \$30,000 (August 31, 2021 - \$nil) was paid or accrued in the period ended September 30, 2022.

The Company considers the Chief Executive Officer, Chief Financial Officer, Chief Strategy Officer, Chief Credit Officer, and Directors as key management personnel. Key management compensation for the nine months ended September 30, 2022 and August 31, 2021 were as follows:

- (a) Directors fees of \$122,575 (August 31, 2021 - \$87,396) were accrued or paid during the nine months ended September 30, 2022.
- (b) Management compensation of \$545,899 (August 31, 2021 - \$240,000) was accrued or paid during the nine months ended September 30, 2022.
- (c) Share-based payments expenses of \$318,906 (August 31, 2021 - \$79,612) were recorded for directors and certain officers identified as key management personnel for the nine months ended September 30, 2022.

16. NON-CONTROLLING INTEREST (“NCI”)

The investments in TIMIA Capital LP's by those other than TIMIA Capital Corp are presented in non-controlling interests in the consolidated statement of financial position. The term of LP I is ten years plus 3 optional 1 year extensions and the term of LP II is five years with 2 optional 1 year extensions. Details of the change in non-controlling interest for the year were as follows:

	TIMIA Capital I LP	TIMIA Capital II LP	TIMIA Capital III LP	Gross limited partners' interests
NCI Balance, December 31, 2021	\$ 5,956,600	\$ 24,556,976	\$ -	30,513,576
Contributions by limited partners	-	-	6,319,316	6,319,316
Distributions paid to limited partners	(2,391,395)	(2,916,904)	(228,128)	(5,536,427)
Reinvestment of distributions	-	-	41,105	41,105
Net income (loss) attributable to NCI	547,684	1,715,086	115,874	2,378,644
Foreign currency translation	-	1,938,202	436,714	2,374,916
NCI Balance, September 30, 2022	\$ 4,112,889	\$ 25,293,360	\$ 6,684,881	36,091,130

	TIMIA Capital I LP	TIMIA Capital II LP	Gross limited partners' interests
NCI Balance, November 30, 2020	\$ 9,031,885	\$ 17,762,911	26,794,796
Contributions by limited partners	-	7,375,973	7,375,973
Distributions paid to limited partners	(4,230,961)	(2,204,749)	(6,435,710)
Net income (loss) attributable to NCI	1,155,676	2,045,897	3,201,573
Foreign currency translation	-	(423,056)	(423,056)
NCI Balance, December 31, 2021	\$ 5,956,600	\$ 24,556,976	30,513,576

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

16. NON-CONTROLLING INTEREST (“NCI”) (continued)**Summarized financial information**

Statements of financial position as at September 30, 2022:

	TIMIA Capital I LP	TIMIA Capital II LP	TIMIA Capital III LP
Total current assets	\$ 1,306,701	\$ 1,660,141	\$ 566,124
Total non-current assets	4,513,552	26,413,250	7,326,627
Total Assets	5,820,253	28,073,391	7,892,751
Total liabilities	162,118	503,419	131,417
Partners' capital	5,658,135	26,492,319	7,242,199
Translation adjustment	-	1,077,654	519,134
Total liabilities & Partners' capital	\$ 5,820,253	\$ 28,073,392	\$ 7,892,750

For the 9 months ended September 30, 2022	TIMIA Capital I LP	TIMIA Capital II LP	TIMIA Capital III LP
Total revenue	\$ 1,109,786	\$ 3,600,116	\$ 572,923
Total expense and other income	280,122	920,856	411,665
Total net income and comprehensive income	\$ 829,664	\$ 2,679,260	\$ 161,258

Statements of financial position as at December 31, 2021:

	TIMIA Capital I LP	TIMIA Capital II LP
Total current assets	\$ 3,865,525	\$ 4,902,594
Total non-current assets	4,887,751	21,882,885
Total Assets	8,753,276	26,785,479
Total liabilities	1,122,882	792,337
Partners' capital	7,630,393	27,003,046
Translation adjustment	-	(1,009,905)
Total liabilities & Partners' capital	\$ 8,753,275	\$ 26,785,478

For the 9 months ended August 31, 2021	TIMIA Capital I LP	TIMIA Capital II LP
Total revenue	\$ 1,608,994	\$ 1,642,723
Total expense and other income	638,842	340,589
Total net income and comprehensive income	\$ 970,152	\$ 1,302,134

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

16. NON-CONTROLLING INTEREST (“NCI”) (continued)**TIMIA Capital I LP**

Since inception the Company has completed financings for a total of \$18,420,000 (“Committed Capital”) financing in its first Limited Partnership (“LP I”). In addition to holding units in LP I, TIMIA is entitled to receive a management fee of 1.5% of Committed Capital for the first six years and 0.75% thereafter. In addition, LP I reimburses TIMIA for operating expenses incurred on its behalf.

TIMIA Capital II LP

Since inception of LP II, the Company closed financings of \$27,146,565 (US \$16,215,000) The Company is invested in LP II and is entitled to receive a management fee of 1.5% of Invested Capital and a performance fee based upon the profit of LP II for the life of the fund. In addition, LP II reimburses TIMIA for operating expenses incurred on its behalf.

TIMIA Capital III LP

During the period ended September 30, 2022, the Company launched TIMIA Capital III Preferred Return Fund (The “Trust”) and TIMIA Capital III Preferred Return Fund LP (“LP III”). The primary business of the Trust will be to invest in units of the LP. Since inception the Trust and LP III have closed financings for a total of \$7,309,177 (US \$5,733,202.97). The Company is invested in LP III and is entitled to receive a management fee of 1.5% of Invested Capital and a performance fee. In addition, LP III reimburses TIMIA for operating expenses incurred on its behalf.

17. FINANCIAL INSTRUMENTS AND RISK**Financial instruments**

The following table summarizes information regarding the carrying values and classification of the Company’s financial instruments as of the periods ended September 30, 2022 and December 31, 2021:

	Classification	Carrying value	
		September 30, 2022	December 31, 2022
Cash & restricted cash	FVTPL	\$ 12,233,576	\$ 9,758,032
Accounts receivable	Amortized Cost	4,507,905	687,596
Loans receivable	Amortized Cost	240,307,781	106,117,801
Equity investments	FVTPL	1,269,332	1,333,618
Forward contract receivable	FVTPL	-	290,500
Accounts payable	Amortized Cost	3,266,447	5,674,751
Loans payable (Note 13)	Amortized Cost	153,864,487	26,810,891
Loans payable (Note 13)	FVTPL	60,000,000	41,000,000
Revolving credit facilities	Amortized Cost	-	4,485,129
Debentures & co-investment obligations	Amortized Cost	9,285	1,468,518
Non-controlling interests	Amortized Cost	36,091,130	30,513,576

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK (continued)**Financial Instruments (continued)**

The estimated fair values of cash and accounts payable approximate their respective carrying values due to their nature and short terms to maturity. Equity investments and forward contract receivable are carried at their fair value. Loans receivable, accounts receivable, co-investment obligations, revolving credit facility, debentures and non-controlling interests are carried at amortized cost. Loans payable 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
- (a) 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:

	Balance at September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 12,233,576	\$ 12,233,576	\$ -	-
Equity investments	1,269,332	21,429	-	1,247,903
Loans payable	60,000,000	60,000,000	-	-

No financial instruments were transferred between levels during the period (2021 - \$nil).

The investment operations of the Company's business involve 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.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK (continued)**Liquidity risk (continued)**

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 5 years
Accounts payable	\$ 3,266,447	\$ 3,266,447	\$ 3,266,447	\$ -	-
Loans payable	213,864,487	213,864,487	213,864,487	-	-
Non-controlling interests	36,091,130	36,091,130	5,496,171	13,698,088	16,896,871
Debentures & Co-investment obligations	9,285	9,285	9,285	-	-
Lease liability	156,975	156,975	84,931	72,044	-
Total	\$ 253,388,324	\$ 253,388,324	\$ 222,721,321	\$ 13,770,132	\$ 16,896,871

Cash flows relating to non-controlling interests are based on expected cash flows. The Company is obligated to return the net assets attributable to limited partners at the end of each partnership agreement. Timing in the above table is based on estimated cash flows and expected maturities of the investments held.

Foreign exchange risk

The Company's foreign exchange risk is due to the Company's loan investments totaling US\$33,561,549 which are currently valued at \$46,002,816.

The Company also consolidates two limited partnerships which operate with a functional currency of US dollars. Changes in US and Canadian dollar exchange rates will give rise to foreign currency translation adjustments that may have a material impact on the other comprehensive income recognized by the Company. A 10% movement in the US dollar exchange rate would increase/decrease the accumulated other comprehensive translation adjustment on the consolidated statement of financial position by \$1,596,789.

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 in interest expense of \$775,000.

As of September 30, 2022, 15% of mortgage loans receivable bear interest at fixed rates and 85% 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. Changing interest rates may result in fair value changes of mortgage loan receivable. 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 receivable could be significant. See 'Market risk' for sensitivity analysis of interest rate risk on mortgages receivable.

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

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK (continued)**Market risk (continued)**

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 commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Mortgages receivable

The measurement of fair value of mortgage investments includes the use of certain unobservable inputs, the most significant of which are the loan-to-value ratio, which is dependent on the fair values of the underlying properties associated with specific mortgages receivable, and the discount rate. As at September 30, 2022, the average loan-to-value ratio of the mortgages receivable was 79.1%. The analysis below estimates the impact of possible changes to the key assumptions underlying the Company's valuation of its mortgages receivable, being the discount rate and loan-to-value ratio.

The analysis below shows the impact on the fair value of the mortgages receivable of possible changes in discount rate assumptions, assuming no changes in loan-to-value ratio assumptions:

	Sensitivity	September 30, 2022
Discount rate	+ 1.50%	\$ (473,975)
Discount rate	- 1.50%	467,881

The analysis below shows the impact on the fair value of the mortgage loans receivable of possible changes in loan-to-value ratio, assuming no changes in discount rate assumptions:

	Sensitivity	September 30, 2022
Change in loan-to-value ratio	+ 10.0%	\$ 76,137
Change in loan-to-value ratio	- 10.0%	(93,981)

Concentration Risk

Concentration risk arises related to the mortgage loans receivable as a result of the concentration of geographical locations and security position. The following is a summary of the Company's concentration risk:

	September 30, 2022
1st charge	82.88%
2nd charge	17.12%

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK (continued)**Concentration risk (continued)**

	September 30, 2022
South Western Ontario	56.01%
Greater Toronto Area	26.03%
North Eastern Ontario	11.28%
Other	6.68%

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 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

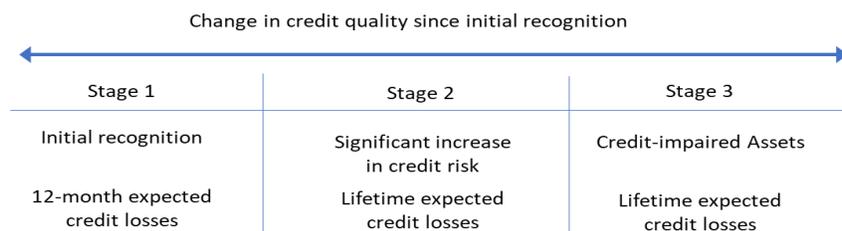
In monitoring credit risk, the Company performs ongoing credit evaluations of its investees' financial condition. The evaluation considers delinquency trends, sales volumes and the investee's ability to maintain its financial condition. In accordance with IFRS 9, the Company calculates an expected credit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

The following diagram summarizes the impairment requirements under IFRS 9:



MONTFORT CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS AND RISK (continued)

Credit risk (continued)

The Company assigns each loan 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 expected credit loss recorded in the consolidated statement of net income (loss) is a recovery of \$54,098 for the nine months ended September 30, 2022 and the expected credit loss accrued on the consolidated statement of financial position is \$763,855 as at September 30, 2022.

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 loan 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 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 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.

Credit risk exposure

The Company's credit risk exposure by ECL staging is included in a table in Note 4 Loans receivable.

MONTFORT CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021

(Expressed in Canadian Dollars)

18. 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 Notes 11, 12, 13. The Company's share capital is not subject to external restrictions. The capital of the Company comprises shareholders' equity, Limited Partnership capital, 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.

19. SEGMENT DISCLOSURES

Segments are identified on the same basis that is used internally to manage and to report performance, taking into account the services of each segment and the organizational structure of the Company. The Company's operations consist of the following reporting segments:

- Business Lending
- Personal Lending
- Corporate Operations

The Company's Business Lending business consists of TIMIA and Pivot, which both provide corporate financing to small and medium sized enterprises. TIMIA Capital offers revenue-based investment to fast growing, business-to-business recurring revenue software businesses in North America and Pivot Financial, specializes in asset-based private credit targeting mid-market borrowers in Canada.

The Company's Personal Lending business consists of Brightpath which uses investor loans to administer first and second mortgages secured by residential properties within Canada.

Corporate Operations includes management of corporate borrowings and equity instruments, which fund a portion of the capital invested as well as operations. Certain corporate costs such as interest expense and salary allocations are allocated to each operating segment based on an internal framework.

Segment information is prepared in conformity with the accounting policies adopted for the Company's audited consolidated financial statements for the year ended December 31, 2021. The role of the "chief operating decision maker" with respect to resource allocation and performance assessment is embodied in the position of the Chief Executive Officer. The performance of the segments is measured on the basis of net income or loss before tax, and net assets, which is defined as total segment assets less total segment liabilities which is used as the basis of assessing the allocation of resources. As at December 31, 2021, there was one reportable segment.

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

19. SEGMENT DISCLOSURES (continued)

Selected information by segment for the nine months ended September 30, 2022 and August 31, 2021 is presented in the tables below:

	Nine months ended September 30, 2022			Total
	Business Lending	Personal Lending	Corporate Operations	
REVENUE				
Interest income	\$ 10,710,959	\$ 2,299,598	\$ -	13,010,557
Income from transaction and other fees	1,661,142	1,651,397	-	3,312,539
Income from settlement of loans	755,106	-	-	755,106
Performance fee income	329,978	-	-	329,978
TOTAL REVENUE	13,457,185	3,950,995	-	17,408,180
TOTAL OPERATING EXPENSES	7,889,376	2,478,989	3,813,943	14,182,308
TOTAL NON-OPERATING EXPENSES	(192,501)	-	572,961	380,460
NET INCOME BEFORE TAXES	5,760,310	1,472,006	(4,386,904)	2,845,412
Income tax expense	-	331,961	20,609	352,570
Deferred tax expense	-	-	(275,708)	(275,708)
NET INCOME	\$ 5,760,310	\$ 1,140,045	\$ (4,131,805)	\$ 2,768,550
Total assets	\$ 119,253,855	\$ 175,989,788	\$ 6,784,461	302,028,104
Total liabilities	75,454,090	181,634,223	(29,041)	257,059,272
Cash and restricted cash	1,793,050	3,660,671	6,779,855	12,233,576
Loans receivable	72,243,832	168,063,949	-	240,307,781
Intangibles and Goodwill	-	-	43,262,697	43,262,697

MONTFORT CAPITAL CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021**

(Expressed in Canadian Dollars)

19. SEGMENT DISCLOSURES (continued)

	Nine months ended August 31, 2021			Total
	Business Lending	Personal Lending	Corporate Operations	
REVENUE				
Interest income	\$ 3,598,730	\$ -	\$ -	3,598,730
Income from transaction and other fees	403,740	-	-	403,740
Income from settlement of loans	513,698	-	-	513,698
Performance fee income	-	-	-	-
TOTAL REVENUE	4,516,168	-	-	4,516,168
TOTAL OPERATING EXPENSES	1,607,544	-	1,382,933	2,990,477
TOTAL NON-OPERATING EXPENSES	336,469	-	155,468	491,937
NET INCOME BEFORE TAXES	2,572,155	-	(1,538,401)	1,033,754
Income tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
NET INCOME	\$ 2,572,155	\$ -	\$ (1,538,401)	\$ 1,033,754
As of December 31, 2021				
Total assets	\$ 122,163,721	\$ -	\$ 2,916,248	\$ 125,079,969
Total liabilities	108,249,785	-	3,702,922	111,952,707
Cash	9,758,032	-	-	9,758,032
Loans receivable	106,117,801	-	-	106,117,801
Intangibles and Goodwill	6,539,201	-	-	6,539,201

20. SUBSEQUENT EVENTS

On October 3, 2022, the Company announced that it has entered into a definitive share purchase agreement to acquire 78% of Langhaus Financial Partners Inc. ("Langhaus"). Langhaus is the parent company of Langhaus Financial Corporation ("LFC"), Canada's largest independent provider of insurance policy backed loans, with a specific focus on high-net-worth individuals and entrepreneurs. The purchase price of the acquisition is \$9,360,000 by way of a \$7,020,000 cash payment plus contingent payments totaling \$2,340,000 to be paid upon the achievement of certain financial targets during an earn-out period.

In connection with the closing, the Company and Langhaus have entered into an agreement with certain holders of non-voting preferred shares of LFC who are also selling shareholders of Langhaus, representing approximately 53% of the outstanding preferred shares of LFC having an aggregate original purchase price of \$6,570,000. The agreement provides for a 6-month period post-closing of the acquisition for these holders of existing preferred shares of LFC to exchange their shares for a new series of preferred shares to be issued by LFC that will, subject to certain conditions, be redeemable in cash on October 3rd, 2024 for the original purchase price of the existing preferred shares of LFC and any accrued and unpaid dividends or, at the option of the holder, exchangeable into a new class or series of preferred shares of the Company having substantially similar terms and ranking on an equivalent basis to the outstanding Series A Preferred Shares of the Company, including the option to convert such preferred shares into common shares of the Company.

MONTFORT CAPITAL CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND AUGUST 31, 2021

(Expressed in Canadian Dollars)

20. SUBSEQUENT EVENTS (continued)

As the transaction was recently completed, the initial accounting for the acquisition, including allocation of the purchase price to the net assets acquired and liabilities assumed, has not been completed. Restricted cash balance at September 30, 2022 is a result of drawn down on credit facilities to complete this acquisition prior to quarter end.

On November 1, 2022 the Company announced its intention to commence a normal course issuer bid to repurchase for cancellation up to 4,575,286 common shares of the Company.

On November 14, 2022, the Company announced a special meeting of its shareholders will be held December 9, 2022 to seek shareholder approvals necessary to modify the capital share structure of the Company. The Company is proposing amendments to the special rights and restrictions to existing common shares and series A preferred shares and to authorize the special rights and restrictions for two new preferred share classes: Class B preferred shares and Class C preferred shares.

On November 24, 2022, the Company's board of directors declared a quarterly cash dividend of \$0.02 per Series A Preferred Shares, payable on December 30, 2022, to Series A preferred shareholders of record as of December 21, 2022.