



Montfort

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND THIRTEEN MONTHS
ENDED DECEMBER 31, 2021**



Independent auditor's report

To the Shareholders of Montfort Capital Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Montfort Capital Corp. and its subsidiaries (together, the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of net income (loss) and comprehensive income (loss) for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill</p> <p><i>Refer to note 2 – Basis of presentation and accounting policies and note 8 – Intangible assets and goodwill to the consolidated financial statements.</i></p> <p>As at December 31, 2022, the Company had goodwill of \$51.8 million. Goodwill was acquired as part of the Pivot, Brightpath and Langhaus acquisitions and is tested for impairment annually or more frequently if specific events and circumstances dictate that the carrying amount of the asset group may not be fully recoverable. In assessing impairment, management estimates the recoverable amount of the cash generating units (CGU) to which the goodwill relates. If the carrying amount of the CGU exceeds the recoverable amount of the CGU, the entity will recognize an impairment loss.</p> <p>As at December 31, 2022, annual impairment tests were performed and management has estimated the recoverable amounts of the CGUs based on discounted cash flow models. Significant assumptions used by management in determining the recoverable amounts included revenue growth rates and discount rates. No impairment was recognized as a result of the 2022 impairment tests.</p> <p>We considered this a key audit matter due to the significant judgment by management in determining the recoverable amounts of the CGUs, including the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested how management determined the recoverable amounts of the CGUs, which included the following:<ul style="list-style-type: none">– Tested the appropriateness of the valuation method and the discounted cash flow models.– Tested the underlying data used in the discounted cash flow models.– Assessed the reasonableness of the revenue growth rates by considering current market and industry data.– Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rates applied by management based on available data of comparable companies.• Tested the disclosures made in the consolidated financial statements, particularly with regard to the sensitivity of the significant assumptions used by management.



Key audit matter

How our audit addressed the key audit matter

audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

Expected credit loss allowance for loans receivable

Refer to note 2 – Basis of presentation and accounting policies, note 5 – Loans receivable, and note 19 – Financial instruments and risk to the consolidated financial statements.

The Company's expected credit loss (ECL) allowance as at December 31, 2022 was \$1.1 million on a loans receivable balance of \$381.7 million.

The Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortized cost and with the exposure arising from loan commitments. The Company recognizes an ECL allowance for such losses at each reporting date.

The Company calculates an ECL allowance using a 'three-stage' model for impairment based on changes in credit quality since initial recognition. 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 allowance 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

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the ECL allowance, which included the following:
 - Tested the appropriateness of the models.
 - Evaluated the reasonableness of the collateral value in the current macroeconomic environment by obtaining independent collateral appraisals for a sample of loans receivable and assessed changes in valuation since the appraisal date by considering current market data.
 - Evaluated the reasonableness of the probability of default and whether a significant increase in credit risk had occurred by considering historical performance.
 - Tested the underlying data used in the determination of the ECL allowance.
- Assessed the adequacy of the Company's disclosure in the consolidated financial statements in relation to this matter.



Key audit matter

How our audit addressed the key audit matter

allowance 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. Management applies significant judgment to estimate the value of collateral in the current macroeconomic environment.

We considered this a key audit matter due to the significant judgment required by management when determining ECL allowance and the high degree of auditor judgment and subjectivity in performing procedures related to management's interrelated inputs and assumptions.

Comparative information

The financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 20, 2022.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Leopold.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 1, 2023

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

ASSETS	December 31, 2022		December 31, 2021	
Cash	\$	7,008,311	\$	9,314,526
Restricted cash		-		443,506
Accounts receivable (Note 4)		6,091,216		687,596
Current portion of loans receivable - net of allowance (Note 5)		371,817,166		70,481,905
Other current assets		824,966		150,566
Total Current Assets		385,741,659		81,078,099
Non-current assets				
Loans receivable - net of allowance (Note 5)		8,872,389		35,635,896
Carried interest receivable		2,088,735		-
Investments (Note 6)		3,674,397		1,333,618
Right-of-use asset (Note 7)		125,258		202,655
Deferred tax asset		252,580		-
Forward contract receivable		-		290,500
Intangible assets (Note 8)		9,928,035		3,005,400
Goodwill (Note 8)		51,785,729		3,533,801
TOTAL ASSETS	\$	462,468,782	\$	125,079,969
LIABILITIES				
Accounts payable and accrued liabilities (Note 17)	\$	4,847,557	\$	5,676,371
Debentures & co-investment obligations (Notes 10, 11)		2,463		105,488
Lease liability (Note 7)		146,796		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, 17)		286,977,138		67,810,891
Current portion of other liability (Note 3, 14)		19,843,266		-
Total Current Liabilities		311,817,220		79,238,021
Non-current liabilities				
Debentures & co-investment obligations (Notes 10, 11)		-		1,363,030
Deferred tax liability		2,678,414		838,080
Loans payable (Note 13, 17)		86,607,477		-
Other liability (Note 3, 14)		1,501,431		-
Non-controlling interests (Note 18)		-		30,513,576
TOTAL LIABILITIES		402,604,542		111,952,707
EQUITY				
Common shares (Note 15)		21,956,183		7,777,918
Preferred shares (Note 15)		39,848,214		9,560,495
Share-based payments reserve (Note 15)		2,103,570		1,608,314
Non-controlling interests (Note 18)		2,599,264		-
Contributed surplus (Note 15)		44,144		68,370
Accumulated other comprehensive loss		-		(44,097)
Accumulated deficit		(6,687,135)		(5,843,738)
TOTAL EQUITY		59,864,240		13,127,262
TOTAL LIABILITIES AND EQUITY	\$	462,468,782	\$	125,079,969
Nature of operations, Commitments and contingencies and Subsequent events (Notes 1, 9, 22)				

Approved on behalf of the Board of Directors:

/s/ "Howard Atkinson"

Howard Atkinson, Director

See accompanying notes to the consolidated financial statements.

/s/ "David Demers"

David Demers, Director

MONTFORT CAPITAL CORP.
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(Expressed in Canadian Dollars)

	Twelve months ended December 31, 2022	Thirteen months ended December 31, 2021
REVENUE		
Interest income (Note 5)	\$ 23,468,463	\$ 7,626,829
Income from transaction and other fees (Note 5)	6,595,045	946,878
Income from settlement of loans	755,106	1,037,917
Performance fee income	447,739	116,028
TOTAL REVENUE	31,266,353	9,727,652
EXPENSES		
Accounting and legal	1,658,206	270,163
Administrative, management and directors fees (Note 17)	5,047,480	1,702,571
Amortization (Note 8)	1,323,080	98,600
Expected credit loss (Note 5)	703,182	57,084
Investor relations, communications and regulatory fees	484,177	492,801
Interest and financing fees (Note 13)	15,285,192	2,716,498
Marketing services and promotion	734,680	560,530
Office, travel, systems, and miscellaneous	1,010,201	603,756
Share-based payments (Note 15)	606,611	149,662
TOTAL EXPENSES	26,852,809	6,651,665
OPERATING INCOME	4,413,544	3,075,987
Foreign exchange losses (gains)	(70,682)	353,457
Loss on settlement of debentures	21,297	44,584
Gain on forward contract	(30,716)	(38,000)
Acquisition costs (Note 3)	557,607	272,136
NET INCOME BEFORE TAXES	3,936,038	2,443,810
Current income tax expense (Note 16)	623,959	2,109
Deferred tax recovery (Note 16)	(619,611)	-
NET INCOME	\$ 3,931,690	\$ 2,441,701
NET INCOME (LOSS) ATTRIBUTABLE TO:		
Shareholders of the corporation	591,077	(759,870)
Non-controlling interest (Note 18)	3,340,613	3,201,571
NET INCOME	\$ 3,931,690	\$ 2,441,701
NET LOSS PER COMMON SHARE BASIC AND DILUTED	\$ (0.01)	\$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	71,632,269	47,910,437

See accompanying notes to the consolidated financial statements.

MONTFORT CAPITAL CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(Expressed in Canadian Dollars)

	Twelve months ended December 31, 2022		Thirteen months ended December 31, 2021	
OTHER COMPREHENSIVE INCOME				
Net income	\$	3,931,690	\$	2,441,701
Other comprehensive income				
Items that may be reclassified to net income:				
Foreign currency translation adjustment		2,226,845		(429,178)
NET COMPREHENSIVE INCOME	\$	6,158,535	\$	2,012,523
Comprehensive income (loss) attributable to:				
Shareholders of the corporation		788,654		(765,994)
Non-controlling interest		5,369,881		2,778,517
NET COMPREHENSIVE INCOME	\$	6,158,535	\$	2,012,523

MONTFORT CAPITAL CORP.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

	Twelve months ended December 31, 2022	Thirteen months ended December 31, 2021
OPERATING ACTIVITIES		
Net income for the period	\$ 3,931,690	\$ 2,441,701
Non-cash items		
Share-based payments	606,611	149,662
Deferred tax expenses	(619,611)	2,109
Amortization	1,404,988	179,211
Participation interest expense	35,805	-
Interest accrued and interest accretion	773,091	(344,405)
Expected credit loss	703,182	57,084
Loss on extinguishment of debentures	21,297	44,584
Realized gain on investments	78,572	(1,037,917)
Unrealized gain on forward contract	-	(38,000)
Unrealized foreign exchange loss (gain)	(1,928,567)	162,007
Repayment of loans receivable	204,694,743	48,367,870
Advances of loans receivable	(251,442,123)	(60,491,923)
	(41,740,322)	(10,508,017)
Changes in non-cash working capital items:		
Restricted cash	443,506	(443,506)
Accounts receivable	(1,990,574)	(119,047)
Deposits and prepaid expenses	(74,635)	(4,269)
Forward contract receivable	290,500	-
Share capital subscriptions received in advance	-	941,524
Accounts payable and accrued liabilities	(2,322,367)	4,602,245
Other liability	(3,935,520)	-
CASH USED IN OPERATING ACTIVITIES	(49,329,412)	(5,531,070)
INVESTING ACTIVITIES		
Acquisition of Pivot	-	176,435
Acquisition of Brightpath	4,295,678	-
Acquisition of Langhaus	(6,196,327)	-
Loss of control adjustment	(324,720)	-
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,225,369)	176,435
FINANCING ACTIVITIES		
Payments on redemption of debentures and co-investors, net	(1,503,599)	(2,538,777)
Proceeds on issuance of preferred shares	-	1,227,000
Proceeds on issuance of common shares	1,233,749	500,000
Proceeds on issuance of Limited Partnership units	8,246,881	7,375,973
Proceeds on issuance of loans payable	193,953,629	758,628
Repayments of loans payable	(142,034,946)	-
Distributions paid through the Limited Partnerships	(6,869,810)	(6,435,711)
Dividends paid	(1,558,880)	(569,112)
Proceeds on exercise of options and warrants	209,372	341,292
Lease payments, net	(94,735)	(51,231)
Proceeds from revolving credit facility	-	1,975,000
Repayment of revolving credit facility	(4,485,129)	-
Purchase of common shares under NCIB	(74,812)	(357,494)
CASH PROVIDED BY FINANCING ACTIVITIES	47,021,720	2,225,568
CHANGE IN CASH DURING THE PERIOD	(4,533,061)	(3,129,067)
EFFECT OF FOREIGN EXCHANGE ON CASH	2,226,846	(429,176)
CASH, BEGINNING OF PERIOD	9,314,526	12,872,769
CASH, END OF PERIOD	\$ 7,008,311	\$ 9,314,526

The Company paid \$961,819 of income taxes, interest received \$23,468,463 and all interest paid has been disclosed above. See accompanying notes to the consolidated financial statements.

MONTFORT CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021
(Expressed in Canadian Dollars)

	Common Shares		Preferred Shares		Share-based Payment Reserve	Non-control ling interest	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 for conversion of debt	-	-	500,000	500,000	-	-	-	-	-	500,000
Shares issued for cash	1,666,667	500,000	1,275,000	1,275,000	-	-	-	-	-	1,775,000
Shares issued for acquisition (Note 3)	5,000,000	1,288,000	3,500,000	3,201,000	-	-	-	-	-	4,489,000
Treasury stock	17,906	4,477	-	-	-	-	(13,700)	-	-	(9,223)
Dividends paid	-	-	-	-	-	-	-	(569,112)	-	(569,112)
Share-based payments	-	-	-	-	143,255	-	-	6,942	-	150,197
Options exercised	600,000	84,000	-	-	-	-	-	-	-	84,000
Warrants exercised	1,254,168	257,292	-	-	-	-	-	-	-	257,292
Shares repurchased and cancelled	(1,273,503)	(163,026)	-	-	-	-	-	(180,768)	-	(343,794)
Other comprehensive loss	-	-	-	-	-	-	-	-	(6,123)	(6,123)
Net loss	-	-	-	-	-	-	-	(759,870)	-	(759,870)
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 (Note 3)	31,250,000	11,722,494	18,000,000	17,817,719	-	-	-	-	-	29,540,213
Shares acquired through acquisition	-	-	1,247,000	12,470,000	-	2,621,573	-	-	-	15,091,573
Dividends paid	-	-	-	-	-	-	-	(1,558,880)	-	(1,558,880)
Share-based payments	-	-	-	-	587,891	-	-	-	-	587,891
Options exercised	892,096	212,510	-	-	(92,635)	-	-	-	-	119,875
Warrants exercised	298,326	89,497	-	-	-	-	-	-	-	89,497
Shares repurchased and cancelled	(103,500)	(21,509)	-	-	-	-	(24,226)	(29,077)	-	(74,812)
Other comprehensive income	-	-	-	-	-	-	-	-	197,580	197,580
Loss of control adjustment (Note 2)	-	-	-	-	-	-	-	153,483	(153,483)	-
Net income (loss)	-	-	-	-	-	(22,309)	-	591,077	-	568,768
As at December 31, 2022	91,631,956	21,956,183	29,732,994	39,848,214	2,103,570	2,599,264	44,144	(6,687,135)	-	59,864,240

See accompanying notes to the consolidated financial statements.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 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 portfolios that have focused investing strategies for the institutional and accredited investors markets under four divisions: TIMIA Capital (TIMIA), Pivot Financial (Pivot), Brightpath Capital Corporation (Brightpath) and Langhaus Financial Partners Inc. (Langhaus).

- TIMIA utilizes a proprietary loan origination platform to originate, underwrite and service private-market, high-yield loan opportunities in the technology space. TIMIA offers revenue-based investment to fast growing, business-to-business recurring revenue software businesses in North America.
- Pivot specializes in asset-based private credit targeting mid-market borrowers in Canada. Sources of revenue include interest income from loans receivable, as well as income from the settlement of loans and transaction fees from due diligence. In addition, Pivot earns loan servicing fees and performance fee income for loan management services performed 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.
- 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 head office and principal place of business is 2920-181 Bay St, Toronto, Ontario, Canada. These consolidated financial statements were authorized for issuance by the Board of Directors on May 1, 2023.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Montfort prepares its 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 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, therefore 2021 comparatives represent the 13 months ended unless otherwise specified.

Basis of presentation

The 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.

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 the Company controls TIMIA Capital I Limited Partnership ("LP I"), TIMIA Capital II Limited Partnership ("LP II"), TIMIA Capital Preferred Return III Fund ("Fund") 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, the Fund 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. 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 CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

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

On December 31, 2022, the Company restructured its Limited Partnership Agreements for TIMIA Capital I Limited Partnership, TIMIA Capital II Limited Partnership and TIMIA Capital III Preferred Return Fund LP (together "TIMIA LP's"), and no longer has control of the entities per IFRS 10. Accordingly, the Company has derecognized its interest in and has recognized an equity investment, as the Company through its General Partner ("GP") has significant influence in the TIMIA LP's. Therefore the TIMIA LP's Statement of Financial Position has not been consolidated in the statement of financial position as at December 31, 2022. As of the date of loss of control, December 31, 2022, the Company derecognized assets, liabilities and non-controlling interests at their carrying amounts. The Company recognized an equity investment retained in the former subsidiary at its fair value at the date when control was lost. In addition, any comprehensive income (loss) in relation to these consolidated subsidiaries was reclassified to retained earnings.

The loss of control occurred on December 31, 2022 and was accounted for prospectively, and therefore the statement of financial position December 31, 2021 includes fully consolidated LP's as well as the years ended December 31, 2022 and 2021 have been included in the statement of net income (loss). There was no gain (loss) recorded on derecognition. The following summarized statement of financial position illustrates the impact of this loss of control:

	Prior to loss of control December 31, 2022	Loss of control adjustment	Consolidated statement of financial position
ASSETS			
Cash and other current assets	\$ 14,712,944	\$ (788,451)	\$ 13,924,493
Current loans receivable	379,954,470	(8,137,304)	371,817,166
Total Current Assets	394,667,414	(8,925,755)	385,741,659
Non-current assets			
Loans receivable (Note 5)	42,784,108	(33,911,719)	8,872,389
Carried Interest Receivable	-	2,088,735	2,088,735
Investments (Note 6)	829,704	2,844,693	3,674,397
Right-of-use asset (Note 7)	125,258	-	125,258
Deferred tax asset	252,580	-	252,580
Forward contract receivable	-	-	-
Intangible assets (Note 8)	9,928,035	-	9,928,035
Goodwill (Note 8)	51,785,729	-	51,785,729
TOTAL ASSETS	\$ 500,372,828	\$ (37,904,046)	\$ 462,468,782
LIABILITIES			
Accounts payable and accrued liabilities (Note 17)	\$ 5,446,756	\$ (599,199)	\$ 4,847,557
All other current liabilities	306,991,674	(22,011)	306,969,663
Total Current Liabilities	312,438,430	(621,210)	311,817,220
Non-current liabilities			
Debentures & co-investment obligations (Notes 10, 11)	-	-	-
Deferred tax liability	2,678,414	-	2,678,414
Loans payable (Note 13, 17)	86,607,477	-	86,607,477
Other liability	1,501,431	-	1,501,431
Non-controlling interests (Note 18)	37,282,836	(37,282,836)	-
TOTAL LIABILITIES	440,508,588	(37,904,046)	402,604,542
TOTAL EQUITY	59,864,240	-	59,864,240
TOTAL LIABILITIES AND EQUITY	\$ 500,372,828	\$ (37,904,046)	\$ 462,468,782

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

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

As a result of the restructuring of the Limited Partnership Agreements, the acquisitions of Brightpath Capital Corporation and Langhaus Financial Partners Inc., the prior 13 month period ended December 31, 2021 is not comparable to the current period ending December 31, 2022.

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 consolidated financial statements include the accounts of the Company and the following subsidiaries in the statement of financial position as of December 31, 2022:

Legal Entity	Country	Percentage Ownership of Parent
Montfort Capital Corp.	Canada	-
TIMIA Capital GP Inc.	Canada	100%
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%
14637208 Canada Inc (Albright Holdings Inc.)*	Canada	100%
2754681 Ontario Inc.*	Canada	100%
9975756 Canada Inc.*	Canada	100%
10260835 Canada Corp.*	Canada	100%
Langhaus Financial Partners Inc.	Canada	78%
Langhaus Financial Corporation	Canada	78%
Langhaus Insurance Finance Limited Partnership	Canada	78%
Langhaus Insurance Finance GP Corporation	Canada	78%
Langhaus Insurance Finance Limited Partnership II	Canada	78%
Langhaus Insurance Finance GP II Corporation	Canada	78%
Langhaus Insurance Finance Limited Partnership III	Canada	78%
Langhaus Insurance Finance GP III Corporation	Canada	78%
Langhaus Speciality Finance Corporation	Canada	78%

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

*Effective April 1, 2023, the Company amalgamated Brightpath Capital Corporation, 10260835 Canada Corp., 14637208 Canada Inc. (Albright Holdings Inc.), 9975756 Canada Inc., and 14637542 Canada Inc. (formerly 2754681 Ontario Inc.), to continue as one corporation under the name "Brightpath Capital Corporation". The authorized but unissued shares and the issued and outstanding shares of each of the amalgamating corporations were cancelled or converted into issued, fully paid and non-assessable common shares of Brightpath Capital Corporation.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Foreign currency translation

Functional and presentation currency

The Company determines its subsidiaries' functional currency by reviewing the currency of the primary economic environment in which each entity operates (the "functional currency"). The functional currency of LP II and LP III is the United States dollar. The functional currency of all other entities in the group is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, until the change in consolidation of subsidiaries in USD functional currency (see note 2). Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of net income (loss).

Subsidiaries

The results and balances of LP II and LP III, subsidiaries that have a functional currency different from the presentation currency, is translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position and capital contributions are translated at the historical exchange rate at the time of contribution;
- Income and expenses for each statement of net income (loss) and comprehensive income (loss) are translated at average exchange rates, and
- All resulting exchange differences are recognized in other comprehensive income.

Significant accounting policies

Cash, cash equivalents and restricted cash

Cash is comprised of cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. The amount of cash equivalents is \$nil (2021 - \$nil). Restricted cash is held in LP II and relates to a cash deposit held on behalf of a portfolio company in the amount of \$nil (2021 - \$443,506).

Derivative financial instruments

The Company may enter into forward contracts to reduce its exposure to fluctuations in foreign exchange rates. The Company does not account for these forward contracts using hedge accounting. As a result, these instruments are measured at fair value on initial recognition with changes in fair value recognized through profit and loss. The timing and amount of these forward foreign exchange contracts are estimated based on expected future cash outflows. The fair values of the currency forward contracts are based upon the difference between the forward exchange rate and the contract rate.

Financial assets

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss or "FVTPL";
- Fair value through other comprehensive income or "FVOCI"; and
- Amortized cost.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Classification and subsequent measurement

The classification and subsequent measurement of financial assets depends on:

- (i) The Company's business model for managing assets; and
- (ii) The cash flow characteristics of the asset.

Based on these factors the Company classifies its financial assets in one of the following three measurement categories.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 5. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Company revises the estimates of future cash flows, the carrying amounts of the respective financial assets or financial liabilities are adjusted to reflect the new estimates discounted using the effective interest rate. Any changes are recognized in the consolidated statement of net income (loss) and comprehensive income (loss).

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement in the period in which it arises, unless it arises from financial assets that were designated at fair value or which are not held for trading, in which case they are presented separately. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus or minus costs such as fees and commissions that are directly attributable to its acquisition or issue. Transaction costs are expensed in profit or loss as incurred. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognized for financial assets measured at amortized cost and FVOCI, as described in the section entitled *Expected Credit Loss Measurement* (Note 19), which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

It has been determined by Company management that the objective of the Company is solely to collect contractual cash flows arising from the loans receivable. Historic profits generated from the early extinguishment of the obligations by the borrower are not within the control of the Company and are considered to be incidental to the business model.

SPPI: As the Company's business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, that is to say the asset fails the SPPI test, the related financial asset is classified and measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Impairment

The Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortized cost and with the exposure arising from loan commitments. The Company recognizes a loss allowance for such losses at each reporting date. 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.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment (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 ECL. The 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 measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loans receivable

There are four types of loans receivable held by the Company:

- 1) Loans receivable consisting of loans provided to North American technology companies in exchange for either a variable monthly payment schedule structured either as a percentage of applicable revenue, subject to minimum monthly payments or a fixed schedule of predetermined monthly payments.
- 2) Asset-backed loans receivable consisting of loans provided to North American companies and generally collateralized by a first charge on the borrowers' assets or factored receivables which the Company owns. Collateral securing these loans includes receivables or purchase orders as well as real estate and guarantees.
- 3) Mortgages consist of first and second mortgages to Canadian consumers that are secured by residential properties. These loans are repayable monthly with either fixed or variable interest only payments, with the principal balance due on maturity.
- 4) Insurance-backed loans include loans to individuals and corporations that are secured by one or a combination of an assignment of life insurance policies, assignment of Cash Surrender Value (CSV), personal and/or corporate guarantees, pledge of cash held in trust, collateral mortgages and/or general security agreements over the borrower's assets. These loans consist of a combination of interest only payments and interest and principal payments that are due monthly at either fixed or variable rates of interest.

On initial recognition the Company evaluates the characteristics of each investment to determine if the loan passes the SPPI test, as described above. If the loan is determined to pass the SPPI test, it is carried at amortized cost.

Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of its loans. When this happens, the Company assesses whether or not the new terms are substantially different from the original terms. The Company does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows the borrower is expected to be able to pay.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Modification of loans (continued)

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognizes the original loan and recognizes a 'new' loan at fair value and recalculates a new effective interest rate for the loan. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new loan recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the loan and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired loans).

Derecognition other than on a modification

Loans, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the loans have expired, or when they have been transferred and either:

- (i) the Company transfers substantially all the risks and rewards of ownership, or
- (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

The Company enters into Co-investment agreements where it retains the contractual rights to receive cash flows from loans but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Company:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the loans;
- (ii) Is prohibited from selling or pledging the loans; and
- (iii) Has an obligation to remit any cash it collects from the loans without material delay.

Equity instruments

The Company measures all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal.

Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial assets (continued)

Equity instruments (continued)

Gains and losses on equity investments at FVTPL are included in the consolidated statement of net income (loss).

At the end of each financial reporting period, the Company's management estimates the fair value of its investments based on the criteria below and records such valuations in the consolidated financial statements.

Equity investments are initially recorded at cost at the time of acquisition. At each reporting period thereafter, the fair value of an investment may, depending on circumstances, be adjusted by taking into account the following circumstances:

- There has been a significant subsequent equity financing provided by outside investors at a valuation above or below the current fair value of the investee, in which case the fair value of the investment is adjusted to reflect the value at which the financing took place;
- Based on financial information received from the investee it is apparent to the Company that the investee is unlikely to be able to continue as a going concern, in which case the fair value of the investment is adjusted downward;
- The investee is placed into receivership or bankruptcy; or
- There have been significant corporate, political, operating or economic events affecting the investee that, in the Company's opinion, have a positive or negative impact on the investee's prospects and, therefore, its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be ultimately realized or realizable. Such events include, without limitation:
 - receipt or denial of necessary approvals that allow or prevent the investee to proceed with its project(s);
 - release by the investee of positive or negative technical results, which either proves or disproves its technical prospects; or
 - management personnel changes at the investee level that the Company's management believes will have a very positive or negative impact on the investee's ability to achieve its objectives and build value for shareholders.

In addition to the circumstances described above, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment is warranted at the end of each reporting period. Absent the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

Application of the valuation techniques described above may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized. The amount at which an investment could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, the Company. Any fair value estimated by the application of these techniques may not ultimately be realized. Transaction costs incurred in the purchase and sale of investments are recorded as an expense in the consolidated statement of net income (loss).

Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortized cost, except for financial liabilities that are designated as FVTPL. An entity may, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information because either:

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

(a) it eliminates or significantly reduces a measurement or recognition inconsistency or (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel.

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, canceled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, the difference between fair values at the date of modification is recognized through gain or loss on modification and the difference along with any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Debentures

The Company uses the relative fair value method when allocating the fair value of the share purchase warrants issued in conjunction with debentures. The Company measures the fair value of the debentures issued at the fair value of the consideration received. The Company measures the fair value of the warrants on the date of issuance as determined using the Black-Scholes Option Pricing Model.

Equity method investments

Investments in entities over which the Company does not have a controlling financial interest but has significant influence, are accounted for using the equity method, with the Company's share of losses reported in loss from equity method investments on the consolidated statement of net income (loss). Equity method investments are recorded at cost, plus the Company's share of undistributed earnings or losses, and impairment, if any, within Investments on the statements of financial position.

Revenue recognition

Interest income on loans

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the loan (i.e. amortized cost). When a loan that is carried at amortized cost subsequently becomes credit-impaired, interest income is calculated by applying the effective interest rate to the amortized cost, net of the expected credit loss provision. Such amounts are recorded in income when management is reasonably assured of collection. The impact of changes in the expected cash flows is recorded in interest income in the period of the change in estimate.

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

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Income from settlement of loans

The difference between proceeds received to settle a loan receivable before its stated maturity date and its carrying value is recorded in income.

Income from transaction and other fees

Income from diligence fees, setup fees as well as other fees and penalties are recognized when a contract with a customer exists, performance obligations are met, transaction price is determinable and collectability is reasonably assured.

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

Performance fee revenue

The Company has been engaged to perform sub-adviser services to a third party fund, including assessing credit risk of proposed debt securities to the fund, advisory services and portfolio management services. Income is earned by the Company when advisory services are performed under the terms of the agreement. The fees are calculated on a monthly basis based on a percentage of the change in the fund's net assets. The Company recognizes the total amount of accrued performance fees at the end of each month. Performance fees are collected in cash on a monthly basis and are not subject to clawback.

Carried interest revenue

Carried interest is a performance fee arrangement in which the Company receives a percentage of investment returns, generated based on a contractual formula. The Company is eligible to earn carried interest from funds managed once returns exceed the fund's contractually defined performance hurdles at which point additional fund profit is shared between the Company as fund manager and other investors. Revenue is recognized for carried interest when earned by the fund and probable that a significant reversal will not occur.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date. Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)**Income taxes (continued)**

The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Basic and diluted earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company, less any dividends declared in the year, by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the earnings (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted earnings (loss) per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. For the period ended December 31, 2022 the numerator consisted of net income attributable to shareholders of \$591,077 less dividends declared \$1,558,880.

Business combinations and goodwill

The Company measured goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of equity in the acquiree's identifiable net assets. The determination of fair values for the acquired intangible assets involves the use of discounted cash flow analysis.

The allocation of goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization. However, the CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the goodwill, with the recoverable amount of the CGU. If the recoverable amount of the CGU exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that unit is not impaired. If the carrying amount of the CGU exceeds the recoverable amount of the CGU, the entity will recognize an impairment loss first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets in the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

Share-based payment transactions

The share option plan allows Company employees, directors and consultants to acquire shares of the Company. All options granted are measured at fair value and are recognized in expenses as share-based payments with a corresponding increase in equity reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model ("Black-Scholes Model"), taking into account the terms and conditions upon which the options were granted. Share options granted to non-employees or consultants are measured at the fair value of goods or services received. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Leases

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use, with the exception of leases of low-value assets or leases with a term of 12 months or less, which are recognized on a straight-line basis as an expense. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to the consolidated statement of net income (loss) over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. See Note 7. During the year ended December 31, 2022, the Company recognized \$121,012 in rent expense for contracts exempted under the IFRS 16 provisions due to lease terms of less than 12 months.

Significant accounting judgements and estimates

The preparation of the 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 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.

Goodwill arising from business acquisitions is tested for impairment annually or more frequently if specific events or circumstances dictate that the carrying amount of the asset group may not be fully recoverable. Management makes assumptions and estimates in determining the recoverable amount of its assets and groups of CGUs' goodwill, including significant key assumptions relating to revenue growth (driven by loan portfolio growth assumptions) and discount rates. In addition, assumptions are required pertaining to expenses, cash flows and operating margins.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

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 consolidated financial statements. Other significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are:

- Classification of financial assets on initial recognition;
- Goodwill impairment;
- Variables used in determining expected credit losses (note 19);
- Fair value of equity investments not quoted in an active market (note 19);
- Estimated fair values of share-based payments awards (note 15);
- Fair value of identifiable assets acquired and liabilities assumed in a business combination (Note 3).

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Significant areas of judgment considered by management in preparing the 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 ACQUISITIONS

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 finalizing 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. Specifically the areas being finalized are the working capital post closing adjustment.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

3. BUSINESS ACQUISITIONS (continued)**Brightpath Capital Corporation (continued)****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
Other current assets	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 fair value of the loan receivables determined above approximate the gross contractual amount on the date of the acquisition. In addition, there was an inconsequential amount of contractual cash flows not expected to be collected as at the acquisition date.

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 year ended December 31, 2022, acquisition related costs of \$336,191 have been expensed as incurred. Revenue included in the consolidated statement of income since the acquisition date for the year ended December 31, 2022 related to Brightpath was \$11,359,127. The net income before income taxes included in the consolidated statement of income since the acquisition date to December 31, 2022 was \$2,339,030. Revenue and net income before tax of the combined entity for the year ended December 31, 2022 as though the acquisition date had occurred at the beginning of the year would be \$45,784,056 and \$7,973,172, respectively on a proforma basis.

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 CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

3. BUSINESS ACQUISITIONS (continued)**Langhaus Financial Partners Inc.**

On October 3, 2022, the Company acquired 78% of the outstanding common shares 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 acquisition is intended to accelerate the growth of Langhaus 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 consisted of a cash payment of \$7,021,377 for 78% of the outstanding common shares. In the event that Langhaus achieves certain financial targets on or before August 31, 2027, the vendors shall be eligible to receive additional contingent cash consideration of up to \$2,340,000. The Company determined that the closing date fair value of this contingent consideration was \$2,281,584.

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, therefore amounts recognized for assets acquired, specifically relating to intangible assets and goodwill, are provisional. Specifically the areas being finalized are the deferred tax balances.

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

	Total
Cash	825,050
Accounts receivable	1,080,280
Current portion of loans receivable	173,926,215
Other current assets	51,484
Intangible assets	3,541,000
Accounts payable and accrued liabilities	(941,278)
Current portion of loans payable	(144,890,958)
Current portion of other liability	(22,998,633)
Deferred tax liability	(938,365)
Loans payable	(566,151)
Preferred shares	(12,470,000)
Total identifiable net assets at fair value	(3,381,356)
Goodwill arising on acquisition	15,305,890
Non-controlling interest	2,621,573
Total	9,302,961
Purchase Price	
Total cash paid on acquisition	7,021,377
Contingent consideration	2,281,584
Total Purchase Price	9,302,961

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

3. BUSINESS ACQUISITIONS (continued)

Langhaus Financial Partners Inc. (continued)

Identifiable assets acquired and liabilities assumed (continued)

The fair value of the loan receivables determined above approximate the gross contractual amount on the date of the acquisition. In addition, there was an inconsequential amount of contractual cash flows not expected to be collected as at the acquisition date.

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 December 31, 2022, acquisition related costs of \$221,415 have been expensed as incurred. Revenue included in the consolidated statement of income since the acquisition date for the period ended December 31, 2022 related to Langhaus was \$2,909,704. The net loss before income taxes included in the consolidated statement of income since the acquisition date to December 31, 2022 was \$101,404. Revenue and net income before tax of the combined entity for the period ended December 31, 2022 as though the acquisition date had occurred at the beginning of the period would be \$39,751,851 and \$4,516,392, respectively on a proforma basis.

The primary factors that contributed to a residual purchase price resulting in the recognition of goodwill include Langhaus'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.

Pivot Financial Services Inc.

On September 20, 2021, the Company acquired certain assets and liabilities of Pivot Financial Inc. and all issued and outstanding shares of Pivot Financial Services Inc. (together "Pivot"). Pivot is a private lender established in 2015 to address the borrowing needs of small to mid-sized enterprises. Pivot tailors a financing structure that suits the specific requirements of each one of their clients. The acquisition is intended to enhance Montfort's loan portfolio and product offerings to customers.

A new entity, Pivot Financial I Limited Partnership (PFLP) was formed to acquire certain assets and assume certain liabilities of Pivot Financial Inc. The acquisition involved the purchase of Pivot Financial Services Inc.'s (PFSI) existing contract to provide sub advisory services to a third party fund.

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 \$5,966,953, consisting of 5,000,000 common shares issued for \$1,288,000, 3,500,000 preferred shares issued for \$3,201,000 and cash payments of \$1,000,000 at closing and \$477,953 of working capital adjustment post closing. 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.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

3. BUSINESS ACQUISITIONS (continued)**Pivot Financial Services Inc. (continued)****Identifiable assets acquired and liabilities assumed**

The fair values of the assets acquired and liabilities assumed in the acquisition are as follows:

	Total
Cash	1,654,388
Receivables & prepaid expenses	155,501
Loans receivable	65,927,625
Intangible assets	3,104,000
Accounts payable	(518,019)
Loans payable	(67,052,263)
Deferred tax liability	(838,080)
Total identifiable net assets at fair value	2,433,152
Goodwill arising on acquisition	3,533,801
Total	5,966,953

Purchase Price

Total value of shares issued on acquisition	4,489,000
Working capital payment	477,953
Total cash paid on acquisition	1,000,000
Total Purchase Price	5,966,953

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 year ended December 31, 2021, acquisition related costs of \$272,136 were expensed as incurred. Revenue included in the consolidated statement of income for the year ended December 31, 2021 related to Pivot was \$2,487,729 from the acquisition date. The net income before income taxes included in the consolidated statement of income from the acquisition date to December 31, 2021 was \$363,296. Revenue and net income of the combined entity for the year ended December 31, 2021 as though the acquisition date had occurred at the beginning of the year would be \$13,886,948 and \$2,852,470, respectively.

The primary factors that contributed to a residual purchase price resulting in the recognition of goodwill include Pivot'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.

4. ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 506,389	\$ 573,544
Interest receivable	3,433,609	-
Penalties and late fees	2,047,873	-
Other receivables	244,610	114,052
Allowance for doubtful accounts	(141,265)	-
	\$ 6,091,216	\$ 687,596

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE

The Company makes loans through its operating segments, consumer and corporate lending. The term of loans receivable range from on demand to nine years.

	December 31, 2022	December 31, 2021
Opening balance	\$ 106,916,931	\$ 27,614,080
Loans acquired in acquisition	332,401,087	66,303,932
Loan eliminated through intercompany consolidation	(64,000,000)	-
Advances on loans receivable	251,442,123	60,491,923
Interest revenue	23,468,462	7,649,247
Interest and principal payments	(128,953,548)	(39,625,310)
Net change in deferred lender fees	971,989	-
Settlement of loans	(100,181,646)	(15,354,934)
Foreign exchange	2,196,580	(162,007)
Derecognition of loans receivable as a result of loss of control (Note 2)	(42,516,137)	-
Closing balance prior to expected credit loss	\$ 381,745,841	\$ 106,916,931
Provision for expected credit loss, opening balance	\$ (799,130)	\$ (366,783)
Provision for expected credit loss, acquired in acquisitions	(87,551)	(376,307)
Add: provision for expected credit loss, outstanding loans	(615,631)	(57,084)
Add: Fx translation adjustment	(21,088)	1,044
Derecognition of loans receivable as a result of loss of control (Note 2)	467,114	-
Provision for expected credit loss, closing balance	\$ (1,056,286)	\$ (799,130)
Closing balance prior to expected credit loss	\$ 381,745,841	\$ 106,916,931
Less: current portion	(371,817,166)	(70,481,905)
Provision for expected credit loss, closing balance	(1,056,286)	(799,130)
Loans receivable, net of ECL, non-current portion	\$ 8,872,389	\$ 35,635,896

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (continued)

The expected credit loss provision for the period from January 1, 2022 to December 31, 2022 is calculated as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening amortized loan balance	\$ 104,470,716	\$ 2,446,216	\$ -	\$ 106,916,932
Loans acquired in acquisitions	332,401,087	-	-	332,401,087
Loan eliminated through intercompany consolidation	(64,000,000)	-	-	(64,000,000)
Advances on loans receivable	257,172,677	19,604,315	-	276,776,992
Interest revenue, net of interest and principal payments	(82,005,297)	(19,769,451)	-	(101,774,748)
Foreign exchange	2,012,196	184,384	-	2,196,580
Loans receivable moved to stage 1	871,808	(871,808)	-	-
Loans receivable moved to stage 2	(14,610,418)	14,610,418	-	-
Loans receivable moved to stage 3	(10,871,274)	-	10,871,274	-
Derecognition of loans receivable as a result of loss of control (note 2)	(39,727,728)	(2,788,410)	-	(42,516,138)
Settlement of loans	(128,254,864)	-	-	(128,254,864)
Closing balance	\$ 357,458,903	\$ 13,415,664	\$ 10,871,274	\$ 381,745,841
Provision for expected credit loss, opening balance	\$ (358,811)	\$ (440,319)	\$ -	\$ (799,130)
Provision for expected credit loss, acquired in acquisitions	(71,609)	(15,942)	-	(87,551)
Add: provision for expected credit loss, outstanding loans	(329,855)	120,254	(406,028)	(615,629)
Add: Fx translation adjustment	(21,090)	-	-	(21,090)
Derecognition of loans receivable as a result of loss of control (note 2)	247,323	219,791	-	467,114
Provision for expected credit loss, closing balance	\$ (534,042)	\$ (116,216)	\$ (406,028)	\$ (1,056,286)
Closing balance prior to ECL	\$ 357,458,903	\$ 13,415,664	\$ 10,871,274	\$ 381,745,841
Less: current portion	(348,052,472)	(13,299,448)	(10,465,246)	(371,817,166)
Provision for expected credit loss, closing balance	(534,042)	(116,216)	(406,028)	(1,056,286)
Loans receivable, net of ECL, non-current portion	\$ 8,872,389	\$ -	\$ -	\$ 8,872,389

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (continued)

The expected credit loss provision for the period from November 30, 2020 to December 31, 2021 is calculated as follows:

	Stage 1	Stage 2	Stage 3	Total
Opening amortized loan balance	\$ 26,831,100	\$ 782,980	\$ -	\$ 27,614,080
Loans acquired in Pivot acquisition	64,852,892	1,451,040	-	66,303,932
Advances on loans receivable	60,491,923	-	-	60,491,923
Interest revenue, net of interest and principal payments	(31,928,729)	(47,334)	-	(31,976,063)
Foreign exchange	(144,448)	(17,559)	-	(162,007)
Loans receivable moved to stage 1	-	-	-	-
Loans receivable moved to stage 2	(277,089)	277,089	-	-
Loans receivable moved to stage 3	-	-	-	-
Settlement of loans	(15,354,934)	-	-	(15,354,934)
Closing balance	104,470,715	2,446,216	-	106,916,931
Provision for expected credit loss, opening balance	\$ (225,846)	\$ (140,937)	\$ -	\$ (366,783)
Provision for expected credit loss, acquired in Pivot acquisition	(115,120)	(261,187)	-	(376,307)
Add: provision for expected credit loss, outstanding loans	33,522	(90,606)	-	(57,084)
Add: Foreign exchange translation adjustment	1,044	-	-	1,044
Provision for expected credit loss, closing balance	\$ (306,400)	\$ (492,730)	\$ -	\$ (799,130)
Closing balance prior to ECL	\$ 104,470,715	\$ 2,446,216	\$ -	\$ 106,916,931
Less: current portion	(68,700,565)	(1,781,340)	-	(70,481,905)
Provision for expected credit loss, closing balance	(306,400)	(492,730)	-	(799,130)
Loans receivable, net of ECL, non-current portion	\$ 35,463,750	\$ 172,146	\$ -	\$ 35,635,896

Details of the expected credit loss model can be found in Note 19 under the heading *Expected Credit Loss Measurement*.

Loans receivable by type

- 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.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (continued)

- 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 manages private credit offerings through its four divisions and various loan types as follows:

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.

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.

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 7.7% and 21.7% and all mature within one year of origination. The weighted average effective interest rate of the portfolio as at December 31, 2022 is 21.16%, 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 \$1,742,521.

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 December 31, 2022 there was \$1,958,231 of unrecognized lender fees on outstanding mortgage loans receivables which is netted against the receivable.

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.

Langhaus Loans

Langhaus loans to individuals and corporations. Rates of interest vary with positive or negative adjustments to interest rate bases, including bank prime, bankers' acceptance and others; and fixed rates between 1% and 7%. At year end, \$6,464,210 of loans carried a fixed rate and \$162,709,433 carried a variable rate.

Within the portfolio, \$78,525,306 or 78 loans are secured by one or a combination of an assignment of life insurance policies, assignment of Cash Surrender Value (CSV), personal and/or corporate guarantees, pledge of cash held in trust, collateral mortgages, and/or general security agreements over the borrower's assets. The full balance of Langhaus Speciality Finance Corporation ("LSFC") loans receivable of \$90,583,792 or 89 loans are secured by a "put option" that allows the Group, in the event of default, to put the loan back to the seller or lender, as the case may be, and the corresponding debt is extinguished. Included in Loans payable and Other liabilities are \$90,758,531 and \$19,063,113 respectively, subject to this put option (see Note 13 and Note 14).

The Company periodically evaluates whether there are any indications of loan impairment due to a significant change in the expected timing or amount of future cash flows generated by the loan, including the realization of security. Management prepares a probability-weighted range of possible outcomes to arrive at an appropriate provision for expected credit losses. At year end, the Company has concluded a provision for loan impairment was not material for adjustment.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE (continued)

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

	At December 31, 2022		At December 31, 2021	
		Carrying Value		Carrying Value
Interest Only Loans	\$	4,859,375	\$	17,447,964
Amortized Loans		6,812,790		20,905,388
Term Loans		18,678,584		63,455,852
Factored Facilities		5,535,256		4,308,597
Mortgages		175,695,895		-
Insurance-Backed Loans		169,107,655		-
Total	\$	\$380,689,555	\$	\$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 December 31, 2022, \$nil of restricted cash relates to cash held on behalf of a portfolio company (December 31, 2021 - \$443,506).

	At December 31, 2022		At December 31, 2021	
Canada	\$	373,090,821	\$	74,781,519
United States of America		7,598,734		31,336,282
Total	\$	\$380,689,555	\$	\$106,117,801

6. INVESTMENTS

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

	Common Shares	Cost	December 31, 2022 Fair Value	December 31, 2021 Fair Value
<i>Equity instruments</i>				
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	7,143	85,715
AvenueHQ	50,000	282,803	282,803	282,803
		454,484	1,255,046	1,333,618
<i>Investments - equity method</i>				
	LP Units			
TIMIA Capital I LP - Class B units	2,400	1,192,365	513,513	-
TIMIA Capital II LP - Class B units	1,036	1,401,804	1,296,880	-
TIMIA Capital III LP - Class A and M units	77,154	1,042,319	1,034,300	-
Total Investments		\$ 4,090,972	\$ 4,099,739	\$ 1,333,618
Less: current portion		-	(425,342)	-
Total Investments		\$ 4,090,972	\$ 3,674,397	\$ 1,333,618

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

6. INVESTMENTS (continued)

As of December 31, 2022, due to loss of control, Montfort recognized investments in certain LP's using the equity method of accounting. As of the date of loss of control, the investments in TIMIA LP's were no longer consolidated and investments in LP I, LP II and LP III were recognized at fair value as of the day of transition. This investment will change based on the Company's share of investee's net assets.

7. 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 December 31, 2022 are as follows:

	December 31, 2022		December 31, 2021	
Beginning balance	\$	202,655	\$	26,565
Additions		7,736		230,132
Amortization		(85,133)		(54,042)
Ending balance	\$	125,258	\$	202,655

	December 31, 2022		December 31, 2021	
Beginning balance	\$	218,618	\$	29,430
Additions		7,736		227,266
Accrued interest		15,177		13,153
Cash payment		(94,735)		(51,231)
Ending balance	\$	146,796	\$	218,618

8. INTANGIBLE ASSETS AND GOODWILL

Intangible assets were acquired by Montfort as part of the Pivot, Brightpath and Langhaus acquisitions. In the Pivot acquisition, the Company acquired a customer relationship and service contract. The customer relationship was subject to accelerated amortization during the year 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. The intangible assets acquired as part of the Langhaus acquisition included a service contract and customer relationships with a limited life and are amortized on a straight-line basis over the useful life, estimated to be approximately one year and ten years, respectively. The useful lives of the customer relationships are linked to the life of the policies within each of the relationships.

Goodwill was acquired as part of the Pivot, Brightpath and Langhaus acquisition and is tested for impairment on an annual basis. The Company performs its annual test for impairment of goodwill in the fourth quarter. Assessment of impairment of goodwill and intangible assets is performed more frequently as specific events or circumstances indicate that the carrying amount of the asset group may not be fully recoverable.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (continued)

	Intangibles			
	Pivot	Brightpath	Langhaus	Total
Beginning balance - January 1, 2022	\$ 3,005,400	\$ -	\$ -	\$ 3,005,400
Additions through business acquisition	-	4,700,000	3,541,000	8,241,000
Less: amortization	(897,091)	(355,397)	(65,877)	(1,318,365)
Ending balance - December 31, 2022	\$ 2,108,309	\$ 4,344,603	\$ 3,475,123	\$ 9,928,035

	Goodwill			
	Pivot	Brightpath	Langhaus	Total
Beginning balance - January 1, 2022	\$ 3,533,801	\$ -	\$ -	\$ 3,533,801
Additions through business acquisition	-	32,946,038	15,305,890	48,251,928
Less: amortization	-	-	-	-
Ending balance - December 31, 2022	\$ 3,533,801	\$ 32,946,038	\$ 15,305,890	\$ 51,785,729

Fair value is determined using a discounted cash flow model that incorporates significant assumptions relating to revenue growth and discount rates. The loan portfolio and revenue growth rates are derived from Board approved budgets which consider projected loan receivable growth based on past experience, capital sources available as well as market and economic conditions.

Discount rates applied to CGU's represent the Company's assessment of the risks specific to each CGU regarding the time value of money and individual risks of the underlying assets. Discount rates used were between 8% and 20.6% (2021 - 8% to 18.2%). The higher discount rates primarily reflect the cost of borrowing applicable to certain CGU's. Increases to discount rates could have the impact of reducing recoverable amounts.

The determination of fair values is sensitive to the above assumptions rates relating to revenue growth and discount rates. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ, depending on economic conditions and other events. It is reasonably possible that future changes in assumptions may negatively impact future assessments of recoverable amounts for CGU's.

For the Brightpath CGU, a 3% change in the discount rate would result in an impairment loss of \$5,500,000 and a 10% reduction in revenue forecasts would result in an impairment loss of \$9,800,000. For the Langhaus CGU, a 3% change in the discount rate would result in an impairment loss of \$3,160,000 and a 10% reduction in revenue forecasts would result in an impairment loss of \$4,400,000.

	Intangible assets			Goodwill
	Service contract	Customer relationships	Lender relationships	
Beginning balance - January 1, 2022	\$ 2,485,400	\$ 520,000	\$ -	\$ 3,533,801
Addition through business acquisition (see Note 3)	180,000	3,361,000	4,700,000	48,251,928
Less: amortization	(420,979)	(541,989)	(355,397)	-
Ending balance - December 31, 2022	\$ 2,244,421	\$ 3,339,011	\$ 4,344,603	\$ 51,785,729

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL (continued)

	Intangible assets			Goodwill
	Service contract	Customer relationship		
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

9. 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.

10. 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.

	December 31, 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

11. 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 December 31, 2022 are recorded as Co-investment obligations on the consolidated statement of financial position.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

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 December 31, 2022 and December 31, 2021:

	Interest Rate	Security	Note	December 31, 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)	6,876,617	11,120,891
Loans payable	Higher of prime + 5.3% or 9.25%	Secured	(i)	26,077,600	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)	49,485,313	-
Demand loan	Higher of prime + 1.5% or 4.20%	Secured	(iii)	75,683,234	-
Bank Loan	Higher of prime + 0.25% or 3%	Secured	(iv)	36,637,586	-
Bank Loan	Higher of prime + 0.70% or 3%	Secured	(iv)	26,848,969	-
Bank Loan	Interest Free	Unsecured	(iv)	40,000	-
Credit agreement	Prime -0.55% to Prime +1.55%	Unsecured	(v)	17,945,544	-
Credit agreement	BA +0.75% to BA 1.55%	Unsecured	(v)	55,216,245	-
Credit agreement	0.92%	Unsecured	(v)	6,368,630	-
Promissory notes	5%	Unsecured	(vi)	404,877	-
Promissory notes	8%	Unsecured	(vii)	500,000	-
				373,584,615	67,810,891
Less: current portion				286,977,138	67,810,891
				86,607,477	-

(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.

The secured loans payable is a revolving credit facility from a senior lender and has a combined authorized limit of \$60,000,000. The agreement also includes covenants regarding reporting requirements, liens on account, distribution limitations and cash investment limits. The loan is designated as 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 December 31, 2022.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

13. LOANS PAYABLE (continued)*(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 10.0% - 12.0%. The weighted average interest rate to maturity for December 31, 2022 is:

		2022 Weighted	Average Term	
		Principal	Average	(days)
Fixed rate due less than one year	\$	49,485,313	11.94%	175

(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. As at December 31, 2022 the balance was \$75,683,234.

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

(iv) Bank Loans

Langhaus Insurance Finance LP ("LH LP") has an uncommitted revolving credit facility of \$75,000,000 with a schedule 1 bank to fund up to 90% of the value of loans acquired from Langhaus Financial Corporation ("LFC"). The facility bears a variable rate of interest at the greater of prime rate plus 0.25% and 3.00% per annum, payable monthly. The facility is secured by LH LP's assets, a guarantee from LFC and a guarantee from a shareholder of Langhaus Financial Partners ("LFP"). As at December 31, 2022, LH LP has drawn \$36,637,586 on this facility.

Langhaus Insurance Finance LP II ("LH LP II") has entered an uncommitted revolving credit facility of \$50,000,000 with a schedule 1 bank to fund up to 90% of the value of full premium loans acquired from LFC in the year. The facility bears variable rate of interest at the greater of prime rate plus 0.70% and 3.00% per annum, payable monthly. The facility is secured by the Partnership's assets, and a guarantee from LFC. As at December 31, 2022, LH LP II has drawn \$26,848,969 on the facility.

The bank loans impose financial covenants with respect to yield, delinquency and loss ratio of the loans receivable, as well as maintaining minimum tangible net worth and other qualifications on the related guarantor. At year end, the Group is in compliance with all covenants.

Langhaus Insurance Finance LP III ("LH LP III") has entered an uncommitted loan receivable sale facility of \$50,000,000 with a schedule 1 bank to fund up to 100% of the value of loans acquired from LFC. The facility bears a fixed rate of interest determined at the average life Government of Canada bond yield plus 3.00% to a floor of 0.50%. The facility is secured by the Partnership's assets, and a performance guarantee from LFC. As of December 31, 2022, the LH LP III has not drawn on the facility.

The bank facility imposes financial covenants with respect to yield, delinquency and loss ratio of the loans receivable, as well as maintaining minimum tangible net worth and other qualifications on the related performance guarantor. At year end, the Group is in compliance with all covenants.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

13. LOANS PAYABLE

Also included in bank loans is a \$40,000, non-interest bearing loan received under the Canada Emergency Business Account program launched in response to the pandemic. The loan shall be considered repaid in full if LFC repays at least 75% or \$30,000 of the principal amount on or before the termination date of December 31, 2023 ("Forgiveness Benefit"). If this loan amount is not repaid by this date, the Forgiveness Benefit will not be available to the Organization and the loan will be extended for a term of three years until December 31, 2025, with interest-only payments of 5% per annum due monthly.

(v) *Credit Agreements*

Credit agreements of \$79,530,419 include borrowed funds from private lenders under several credit agreements. Credit agreements correlate to loan receivables being funded. Under the agreement, LFC must maintain a reserve fund of cash equal to 5 basis points of interest collected in respect of loans receivable. Should a loan become impaired, with the payment of the balance in the reserve fund, LFC can assign the loan to the creditor as repayment of the obligation.

Amounts payable bear differing rates of variable interest based on bank prime, bankers' acceptance and other similar rates. Interest-only payments are due monthly so long as the loan receivable being funded by the debt is outstanding. Upon receipt of the loan receivable the reciprocal credit obligation must be repaid. Other than funding related to short-term bridge loans receivable, the credit agreements have a 10 year term.

Expected required repayments of principal over the next five years and thereafter, are as follows:

2023	79,405,418
2024	125,000
2025	-
2026	-
2027	-
Thereafter	-

(vi) *Promissory notes - 5%*

Promissory notes are unsecured, due on demand with no maturity, bearing interest at 5% per annum payable on maturity. As of December 31, 2022, \$48,585 of \$404,877 is due to a member of key management (Note 17).

(vii) *Promissory notes - 8%*

Promissory notes of \$500,000 are due to a company controlled by a member of key management (Note 17). The amount due is unsecured, bearing interest at 8% per annum with interest payable monthly and no fixed terms of repayment. The note is due on the date of demand.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

14. OTHER LIABILITY

Other liability consists of the following as at December 31, 2022 and December 31, 2021:

	Note	December 31, 2022	December 31, 2021
Other liability	(i)	\$ 19,063,113	\$ -
Contingent consideration	(ii)	2,281,584	-
Total Other liability		\$ 21,344,697	\$ -
Less: current portion		(19,843,266)	-
Total Other liability		\$ 1,501,431	\$ -

(i) Other liability

Included in loans receivable, are loan portfolios that LSFC purchased under various purchase agreements with lenders ("Purchased Loan Portfolio"). The purchase price for the Purchased Loan Portfolio was lower than the amount of the portfolio loan principal, whose principal was determined to be fair value on the purchase date. As at year end, pursuant to the purchase agreements, the following liabilities associated with the purchased loan portfolio exist:

- (a) For each purchased loan in the purchased loan portfolio, any amount collected by LSFC from the borrowers that is in excess of its purchase price must be repaid to the lenders. This liability bears interest at the bankers acceptance rate plus 0.30% to 1.45%. At December 31, 2022, the entire Purchased Loan Portfolio is considered collectible, therefore the liability of \$19,063,113 has been recorded as the difference between the remaining purchased principal and the purchase price.

During the year, interest expense of \$337,319 relating to other liability has been included in interest expense in the consolidated statement of net income (loss).

(ii) Contingent Consideration

As part of the Langhaus acquisition, in the event that Langhaus achieves certain financial targets on or before August 31, 2027, the vendors shall be eligible to receive additional contingent cash consideration of up to \$2,340,000. The Company determined that the closing date fair value of this contingent consideration was \$2,281,584. The fair value was determined based on the expected date of payment in the forecast and a discount rate based on the equity rate of return. As at December 31, 2022, \$766,232 was classified as current as management expects to payout the first milestone payment within 2023.

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

An unlimited number of common voting shares are authorized without par value. As of December 31, 2022 Montfort had 91,631,956 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 CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

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

	Note	December 31, 2022	December 31, 2021
Montfort preferred shares	(i)	\$ 27,378,214	\$ 9,560,495
Langhaus preferred shares	(ii)	12,470,000	-
Total preferred shares		\$ 39,848,214	\$ 9,560,495

(i) Montfort preferred shares

As of December 31, 2022, Montfort 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.

*(ii) Langhaus preferred shares**Authorized, unlimited number*

LFC has Class A preferred shares issued in series that are non-voting and redeemable by LFC. In addition, these shares have an annual cumulative fixed distribution of capital in respect of each Class A preferred share that has paid up capital of greater than \$0.01 per share, at the rate that is set for the applicable series of Class A preferred shares when created, payable within 60 days of the fiscal year end, at the discretion of the Langhaus board. After such time as the paid up capital of the applicable class preferred shares is equal to \$0.01 or lower distributions are dividends. Discretionary special distribution, which shall be characterized as either (or a combination of both) (i) a return of capital to the extent that paid up capital is greater than \$0.01 or (ii) a dividend after such time the paid up capital is equal to \$0.01.

The holders of the Class A preferred shares shall be entitled to receive for each Class A preferred share held an amount equal to the preferred liquidation amount, on parity with the Class A preferred shares of every other series and in priority over the common shares and non-voting common shares.

LFC may redeem the whole or any part of the issued Class A preferred shares of any series that have been issued and outstanding for a period of 3 years or longer on payment for each share to be redeemed of an amount equal to the sum of:

- (i)* An amount equal to the preferred liquidation amount for such Class A preferred share;
- (ii)* If redeemed prior to the 7th anniversary of the date of issuance of such Class A preferred share, an amount equal to 5% of the preferred share original issue price of such Class A preferred share per annum, calculated as simple, non-compounding interest, for the period from the date of redemption to the 7th anniversary date of issuance of such Class A preferred share; and

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (continued)

- (iii) If determined to be included by the corporation in its sole discretion, an additional amount equal to the fair market value of securities of the corporation determined to be distributed to the holder of such Class A preferred share upon redemption (collectively, the “redemption price”).

The portion of the redemption price referred to in clauses (i) and (ii) in the preceding sentence shall be satisfied in cash, and the portion of the redemption price referred to in clause (iii) in the preceding sentence, if any, shall be satisfied in securities of the corporation that are determined to be distributed.

Issued		December 31, 2022
740,000 Class A preferred shares - series I	\$	7,400,000
197,000 Class A preferred shares - series II		1,970,000
85,000 Class A preferred shares - series III		850,000
85,000 Class A preferred shares - series IV		250,000
85,000 Class A preferred shares - series V		2,000,000
	\$	12,470,000

(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
February 24, 2022	March 31, 2022	0.0200 \$	209,720
May 26, 2022	June 30, 2022	0.0200	209,720
August 26, 2022	September 29, 2022	0.0200	569,720
November 25, 2022	December 30, 2022	0.0200	569,720
		\$	1,558,880

(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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (continued)

 (d) *Stock options and share unit plan: (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	2,915,000	0.41
Forfeited	(96,628)	0.29
Exercised	(993,372)	0.17
Balance, December 31, 2022	6,655,000	\$ 0.31

Additional information regarding stock options outstanding as at December 31, 2022 is as follows:

Outstanding			Exercisable		
Exercise Price	Number of Options	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
0.17	500,000	0.36	0.17	500,000	0.17
0.18	75,000	1.13	0.18	75,000	0.18
0.19	405,000	3.05	0.19	262,973	0.19
0.22	800,000	1.37	0.22	800,000	0.22
0.20	490,000	2.19	0.20	459,123	0.20
0.17	600,000	2.42	0.17	600,000	0.17
0.17	50,000	2.48	0.17	42,055	0.17
0.30	275,000	3.73	0.30	116,895	0.30
0.44	600,000	3.82	0.44	600,000	0.44
0.42	645,000	4.09	0.42	200,110	0.42
0.375	30,000	4.40	0.38	6,000	0.38
0.4	900,000	4.62	0.40	112,603	0.40
0.48	145,000	4.73	0.48	13,242	0.48
0.46	50,000	4.74	0.46	4,384	0.46
0.31	250,000	4.76	0.31	217,979	0.31
0.41	840,000	4.76	0.41	96,721	0.41
	6,655,000	3.25	0.31	4,107,085	0.26

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 the following weighted average assumptions and resulting grant date fair value:

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

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

	2022	2021
Weighted average assumptions:		
Risk-free interest rate	1.64% - 3.50%	0.41% - 1.42%
Expected dividend yield	-	-
Expected option life (years)	5	5
Expected stock price volatility	79% - 83%	89%
Weighted average fair value at grant date	\$0.31-\$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 December 31, 2022 is 9,163,196.

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	5,650,000	700,000
SUs outstanding, December 31, 2022	5,650,000	700,000
Weighted average fair value	0.03	0.41
Weighted average remaining contractual life (years)	2.63	1.47

(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 CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (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 TSXV and the terms of the plan.

On November 1, 2022, the TSXV approved and the Company announced its intention to commence a NCIB to repurchase the Company's common shares. Under the NCIB the Company may purchase for cancellation up to 4,575,286 common shares over a 12-month period ending November 3, 2023. Transactions were executed from time to time in the open market in accordance with the rules and policies of the TSXV. During the year ended the Company purchased 68,000 for cancellation under this 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, December 31, 2022	2,511,681	\$ 0.50

Additional information regarding warrants outstanding and exercisable as at December 31, 2022 is as follows:

Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
0.50	2,511,681	1.01	\$ 1.01

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

16. INCOME TAX

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2022	2021
Net income before taxes	\$ 3,936,038	\$ 2,443,810
Combined Canadian statutory income tax rate	27.00%	27.00%
Income tax expense at statutory rate	1,062,730	659,259
Income taxes attributable to non-controlling interests in partnerships	(1,062,636)	(1,188,470)
Non-deductible items and other permanent differences	318,198	(152,070)
Change in tax benefit not recognized	(998,046)	683,390
Tax effect on loss of control	520,929	-
True up of prior periods	224,198	-
Other	(61,025)	-
Income tax expense	\$ 4,348	\$ 2,109

Significant components of the Company's deferred tax assets (liabilities) are shown below:

	2022	2021
Non-capital loss carryforward	\$ 682,642	\$ -
Financing fees & share issuance costs	37,478	101,614
Reserves and other temporary differences	189,262	-
Carried interest receivable	(563,958)	-
Intangible assets	(2,680,570)	(838,080)
Investments	(118,683)	(120,612)
Other	27,995	18,998
Net deferred tax liability	\$ (2,425,834)	\$ (838,080)

As of December 31, 2022, Montfort has approximately \$9,709,295 of non-capital losses for tax purposes which may be used to reduce income taxes of future years and will expire from 2027 to 2042.

	2022	2021
Current tax expense	\$ 623,959	\$ 2,109
Deferred tax recovery	(619,611)	-
Income tax expense	\$ 4,348	\$ 2,109

	2022	2021
Opening balance	\$ (838,080)	\$ -
Tax liability earned in business combination	(2,207,365)	(838,080)
Tax expense (recovery) recognized in income statement	619,611	-
Net deferred tax liability	\$ (2,425,834)	\$ (838,080)

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

17. 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) Debentures of \$nil (December 31, 2021 - \$150,000) are held by directors, officers, family members of directors and officers and a company controlled by a family member of a director and officer identified as key management personnel. As at December 31, 2022, there was \$nil (December 31, 2021 - \$1,529) due to directors, officers, family members of directors and officers and a company controlled by a director.
- (b) For the year ended December 31, 2022, \$4,438 (December 31, 2021 - \$30,160) of interest from debentures was paid to certain directors, officers, family members of directors and officers and a company controlled by a director.
- (c) Accounts payable of \$141,723 (December 31, 2021 - \$586) was due to directors and/or officers identified as key management personnel as at December 31, 2022.
- (d) Rent expense of \$44,818 (December 31, 2021 - \$18,647) was accrued or paid for the year ended December 31, 2022 to a third party company controlled by the CFO.
- (e) The Company has promissory notes due to an entity in the amount of \$500,000 where the entity is controlled by members of the Company's management, are significant shareholders of the entity and members of the entity's board of directors.
- (f) The Company has promissory notes due to a member of key management in the amount of \$48,585 (Note 13).

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 year ended December 31, 2022 and December 31, 2021 were as follows:

- (a) Directors fees of \$199,450 (December 31, 2021 - \$121,672) were accrued or paid during the year ended December 31, 2022.
- (b) Management compensation of \$1,045,015 (December 31, 2021 - \$424,509) was accrued or paid during the year ended December 31, 2022.
- (c) Share-based payments expenses of \$503,868 (December 31, 2021 - \$99,954) were recorded for directors and certain officers identified as key management personnel for the year ended December 31, 2022.

18. NON-CONTROLLING INTEREST ("NCI")

The investments in TIMIA Capital LP's by those other than TIMIA Capital Corp were presented in non-controlling interests in the consolidated statement of financial position as at December 31, 2021. Due to changes in LPA terms for all TIMIA Capital LP's in 2022, as of December 31, 2022 (Note 2), non-controlling interest income from the LP's was recognized for the year ended December 31, 2022 and as of December 31, 2022 the TIMIA LP's were no longer consolidated in the Company's consolidated statement of financial position.

In addition, as a result of the acquisition of Langhaus (Note 3), a non-controlling interest was recognized representing the 22% of shares not purchased by the Company.

Details of the change in non-controlling interest for the year were as follows:

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTEREST (“NCI”) (continued)

	TIMIA Capital I LP	TIMIA Capital II LP	TIMIA Capital III LP	Langhaus	Total
NCI Balance, December 31, 2021	\$ 5,956,600	\$ 24,556,976	\$ -	\$ -	\$ 30,513,576
Contributions by LP's	-	-	8,246,881	-	8,246,881
Distributions paid to LP's	(2,674,986)	(3,767,841)	(446,230)	-	(6,889,057)
Reinvestment of distributions	-	-	19,249	-	19,249
Acquired as part of business acquisition (Note 3)	-	-	-	2,621,573	2,621,573
Net income (loss) attributable to NCI	672,323	2,345,293	345,306	(22,309)	3,340,613
Foreign currency translation	-	1,636,227	393,038	-	2,029,265
Loss of control adjustment (note 2)	(3,953,937)	(24,770,655)	(8,558,244)	-	(37,282,836)
NCI Balance, December 31, 2022	\$ -	\$ -	\$ -	\$ 2,599,264	\$ 2,599,264

	TIMIA Capital I LP	TIMIA Capital II LP	Total
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

Summarized financial information

Statements of financial position as at December 31, 2022 and statements of net income (loss) for the year ended December 31, 2022:

	Langhaus
Total current assets	\$ 170,481,909
Total non-current assets	-
Total Assets	170,481,909
Total liabilities	164,097,304
Partners' capital	6,384,605
Total liabilities & Partners' capital	\$ 170,481,909

For the 12 months ended December 31, 2022	Langhaus	TIMIA Capital I LP	TIMIA Capital II LP	TIMIA Capital III LP
Total revenue	\$ 2,909,704	\$ 936,973	\$ 4,724,851	\$ 938,784
Total expense and other income	3,011,108	(70,558)	1,200,548	556,486
Total net income and comprehensive income	\$ (101,404)	\$ 1,007,531	\$ 3,524,303	\$ 382,298

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTEREST (“NCI”)

Statements of financial position as at December 31, 2021 and statements of net income (loss) for the year ended 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	26,785,478
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
<hr/>		
For the 12 months ended December 31, 2021	TIMIA Capital I LP	TIMIA Capital II LP
Total revenue	\$ 2,367,280	\$ 2,976,483
Total expense and other income	690,424	672,585
Total net income and comprehensive income	\$ 1,676,856	\$ 2,303,898

TIMIA Capital I LP

Since inception the Company has completed financings for a total of \$18,420,000 (“Committed Capital”) 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 year ended December 31, 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 LP III. Since inception the Trust and LP III have closed financings for a total of \$9,691,048 (US \$7,155,233). 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.

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

19. 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 years ended December 31, 2022 and December 31, 2021:

	Classification	Carrying value	
		December 31, 2022	December 31, 2021
Cash & restricted cash	FVTPL	\$ 7,008,311	\$ 9,758,032
Accounts receivable	Amortized Cost	6,091,216	687,596
Carried interest receivable	Amortized Cost	2,088,735	-
Loans receivable	Amortized Cost	380,689,555	106,117,801
Investments	FVTPL	1,255,046	1,333,618
Forward contract receivable	FVTPL	-	290,500
Accounts payable	Amortized Cost	3,557,016	5,674,751
Debentures & co-investment obligations	Amortized Cost	2,463	1,468,518
Revolving credit facilities	Amortized Cost	-	4,485,129
Loans payable (Note 13)	Amortized Cost	313,584,615	26,810,891
Loans payable (Note 13)	FVTPL	60,000,000	41,000,000
Other liability	Amortized Cost	19,063,113	-
Other liability	FVTPL	2,281,584	-
Non-controlling interests	Amortized Cost	-	30,513,576

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

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK (continued)**Financial instruments (continued)**

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 December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 7,008,311	\$ 7,008,311	\$ -	-
Investments	1,255,046	7,143	-	1,247,903
Loans payable	60,000,000	-	-	60,000,000
Other liability	2,281,584	-	-	2,281,584

Loans payable were transferred from Level 1 to Level 3 during the period (2021 - \$nil).

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 year ended December 31, 2022 no gains or losses were recognized in the statement of net income (loss) for changes in fair value related to 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 December 31, 2022.

For information regarding the valuation of Other liability above refer to Note 14.

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.

	Carrying amount	Contractual cash flows	Within 1 year	Within 2 years	Within 5 years
Accounts payable	\$ 3,557,016	\$ 3,557,016	\$ 3,557,016	\$ -	-
Loans payable	373,584,615	373,584,615	286,977,138	86,607,477	-
Debentures & Co-investment obligations	2,463	2,463	2,463	-	-
Lease liability	146,796	156,189	104,776	51,413	-
Other liability	21,344,697	21,344,697	19,843,266	1,501,431	-
Total	\$ 398,635,587	\$ 398,644,980	\$ 310,484,659	\$ 88,160,321	\$ -

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK (continued)**Foreign exchange risk**

The Company's foreign exchange risk is due to the Company's loan investments totaling US\$6,295,919 which are currently valued at \$8,527,193.

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 \$3,701,280.

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 have resulted in an increase in interest expense of \$1,097,480.

As of December 31, 2022, 9.9% of mortgage loans receivable bear interest at fixed rates and 90.1% 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 changes in interest income and expense for the Brightpath variable rate mortgages. 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.

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.

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:

	December 31, 2022
1st charge	85.16%
2nd charge	14.84%

MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK (continued)**Concentration Risk (continued)**

	December 31, 2022
South Western Ontario	57.67%
Greater Toronto Area	25.53%
North Eastern Ontario	10.08%
Other	6.72%

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 a provision for expected credit loss as outlined below.

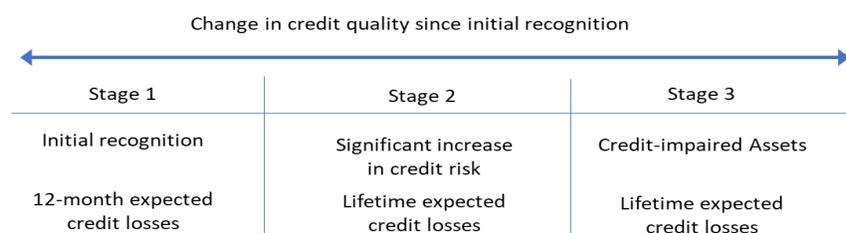
Expected credit loss measurement

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:



MONTFORT CAPITAL CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021**(Expressed in Canadian Dollars)

19. 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 \$703,182 as at December 31, 2022 (December 31, 2021 - \$57,084).

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 5.

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

20. 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.

21. 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:

- Corporate Lending
- Consumer Lending
- Montfort Operations

The Company's Corporate 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 Consumer Lending business consists of Brightpath and Langhaus. Brightpath uses investor loans to administer first and second mortgages secured by residential properties within Canada and Langhaus provides insurance policy-backed loans to high-net-worth individuals and entrepreneurs in Canada.

Montfort 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.

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.

Selected information by segment for the years ended December 31, 2022 and December 31, 2021 is presented in the tables below:

MONTFORT CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

21. SEGMENT DISCLOSURES

	Twelve months ended December 31, 2022			
	Corporate Lending	Consumer Lending	Montfort Operations	Total
REVENUE				
Interest income	\$ 13,711,711	\$ 9,756,752	\$ -	\$ 23,468,463
Income from transaction and other fees	2,082,966	4,512,079	-	6,595,045
Income from settlement of loans	755,106	-	-	755,106
Performance fee income	447,739	-	-	447,739
TOTAL REVENUE	16,997,522	14,268,831	-	31,266,353
TOTAL OPERATING EXPENSES	9,646,468	12,031,171	5,175,170	26,852,809
TOTAL NON-OPERATING EXPENSES	(70,725)	35	548,196	477,506
NET INCOME BEFORE TAXES	7,421,779	2,237,625	(5,723,366)	3,936,038
Income tax expense	56,244	603,351	(35,636)	623,959
Deferred tax expense	-	(188,942)	(430,669)	(619,611)
NET INCOME	\$ 7,365,535	\$ 1,823,216	\$ (5,257,061)	\$ 3,931,690
As at December 31, 2022				
Total assets	\$ 92,051,970	\$ 356,853,161	\$ 13,563,651	\$ 462,468,782
Total liabilities	47,333,180	355,771,381	(500,019)	402,604,542
Cash and restricted cash	2,774,373	4,233,938	-	7,008,311
Loans receivable	35,886,006	344,803,549	-	380,689,555
Provision for expected credit loss	(250,640)	(805,646)	-	(1,056,286)
Intangibles and Goodwill	-	-	61,713,764	61,713,764
Thirteen months ended December 31, 2021				
	Corporate Lending	Consumer Lending	Montfort Operations	Total
REVENUE				
Interest income	\$ 7,626,829	\$ -	\$ -	\$ 7,626,829
Income from transaction and other fees	946,878	-	-	946,878
Income from settlement of loans	1,037,917	-	-	1,037,917
Performance fee income	116,028	-	-	116,028
TOTAL REVENUE	9,727,652	-	-	9,727,652
TOTAL OPERATING EXPENSES	4,437,671	-	2,213,994	6,651,665
TOTAL NON-OPERATING EXPENSES	353,448	-	278,729	632,177
NET INCOME BEFORE TAXES	4,936,533	-	(2,492,723)	2,443,810
Income tax expense	-	-	2,109	2,109
Deferred tax expense	-	-	-	-
NET INCOME	\$ 4,936,533	\$ -	\$ (2,494,832)	\$ 2,441,701
As at 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 and restricted cash	9,758,032	-	-	9,758,032
Loans receivable	106,117,801	-	-	106,117,801
Provision for expected credit loss	(799,130)	-	-	(799,130)
Intangibles and Goodwill	6,539,201	-	-	6,539,201

MONTFORT CAPITAL CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE AND THIRTEEN MONTHS ENDED DECEMBER 31, 2022 AND DECEMBER 31, 2021

(Expressed in Canadian Dollars)

22. SUBSEQUENT EVENTS

As announced on February 28, 2023 the Company announced the President and CEO will be stepping down. An interim CEO was announced while the Board meets to approve and engage with an executive search firm to find a permanent CEO for Montfort in the coming months.

On March 16, 2023, the Company's board of directors declared a quarterly cash dividend of \$0.02 per Series A Preferred Shares, payable on March 31, 2023, to Series A preferred shareholders of record as of March 24, 2023.

Effective April 1, 2023, the Company amalgamated Brightpath Capital Corporation, 10260835 Canada Corp., 14637208 Canada Inc. (Albright Holdings Inc.), 9975756 Canada Inc., and 14637542 Canada Inc. (formerly 2754681 Ontario Inc.), to continue as one corporation under the name "Brightpath Capital Corporation". The authorized but unissued shares and the issued and outstanding shares of each of the Amalgamating Corporations were cancelled or converted into issued, fully paid and non-assessable common shares of Brightpath Capital Corporation.