

**2019
ANNUAL REPORT**

FAX
CAPITAL

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this shareholder letter constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of FAX Capital Corp. (the “Company”), which are based on the opinions, estimates and/or assumptions about future economic conditions and courses of action and other factors which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “target”, “intend”, “could”, “might”, “should”, “believe”, and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this shareholder letter includes, but is not limited to, statements with respect to: the Company’s view of current and future anticipated market conditions in Canada and internationally; the Company’s investment approach, objectives and strategy, including investment selection; timing and pace of investment; potential investment pipeline; the structuring of its investments and its plans to manage its investments; and the perceived opportunities relating to investments in small-capitalized companies.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this shareholder letter include, but are not limited to: reliance on the performance of underlying assets; key employees; potential lack of investment diversification; trading price of the Company’s subordinate voting shares and founder warrants relative to book value; significant ownership by Fax Investments Inc. may adversely affect the market price of the subordinate voting shares; investments in private issuers; illiquid assets; financial market fluctuations and deterioration of political conditions; foreign security risk; competition and technology risks; credit risk; tax risks; regulatory changes, the timing and terms associated with any potential investment opportunities, the continued impact of coronavirus (COVID-19) and falling or volatile oil prices on targeted investments, the economy and markets generally. Additional risks and uncertainties are described in the Company’s annual information form dated March 26, 2020 which is available on SEDAR at www.sedar.com and on the Company’s website at www.faxcapitalcorp.com.

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks factors is not exhaustive. The forward-looking information contained in this shareholder letter is provided as at the date of this shareholder letter, based upon the opinions and estimates of management and information available to management as at the date of this shareholder letter, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this shareholder letter. For more information on the Company, please review the Company’s continuous disclosure filings that are available on SEDAR at www.sedar.com.



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DEAR VALUED SHAREHOLDER,

In 2019, we founded FAX with an objective to invest in great small-cap companies and actively contribute as a leading shareholder to their long-term success. Our belief is that small-cap companies have been largely ignored by institutional investors, particularly in our Canadian public markets, and access to capital for these businesses remains a substantial problem. Investors have rushed to back private businesses, and companies are choosing to stay private longer. Other companies have just gotten bigger. This has distorted our capital markets, and the scarcity of funding for small companies has created highly attractive market inefficiencies that FAX is designed to take advantage of. Our investors agree. In late 2019, we spent 38 days visiting over 20 cities across Canada and had over 200 meetings with investment advisors, family offices and institutional investors. This effort raised \$190 million of capital for FAX to execute on its stated business strategy, and we are now listed on the TSX. This is an incredible accomplishment, and I want to personally thank all of our shareholders for their tremendous support.

One of the founding principles of our company is permanent capital, or capital that is not subject to redemption-risk and can therefore be invested in perpetuity. As a publicly listed investment vehicle, FAX benefits from permanent capital. As such, our investment and liquidity decisions can be made strictly with the objective of maximizing long-term returns and are not compromised by the need to constantly raise additional capital or satisfy the needs of short-term investors. Market volatility, therefore, can be viewed as an opportunity rather than a risk. As of the date of this writing, the novel coronavirus (known as COVID-19), coupled with an on-going oil price war, has sent global markets into a tail-spin and has caused the fastest-ever bear market in history. The Canadian small cap index is at its lowest point since 2009, resulting in very attractive valuations. In these uncertain times, the stability of our capital is a distinct competitive advantage, and will allow us to pursue a range of opportunities unavailable to open-ended investment managers who are likely hoarding cash as a buffer to meet redemptions and to mitigate fire sales of underlying assets. FAX remains in an advantaged position.

When we speak with our shareholders, we consistently espouse the need to remain patient and to think long-term in order to harness the power of compounding and benefit fully from our structure. Our thinking is simple: markets can be risky in the short-term but in the long-term history has shown the market is much less risky. The following letter is intended to feature the symbiotic relationship between patience and investing. Please enjoy.

The Power of Patience

Patient, as an adjective, is defined as not being hasty or remaining steadfast despite opposition, difficulty or adversity. The value of patience is possibly the most critical quality that sets most successful investors apart from the rest of the crowd. It's not a coincidence that the world's wealthiest investors also tend to be the most patient ones. Warren Buffett is the personification of how patience and discipline can help you become wealthy in the stock market. That's because the vast majority of Buffett's wealth was created after he turned 50 years old. In fact, 99.7% of his USD \$87 billion net worth was earned after his 52nd birthday! Was this due to Buffett only mastering the art of investing when he was in his 50's? Quite the opposite actually. His fortune was created from the stocks he bought carefully in his 20's, 30's and 40's, and having the fortitude to hold on to them. Compounding is enormously powerful, and being patient is the key.

Investing is a long-term discipline and the success of your investments should be judged based on years, and not months. Successful businesses are built over time. Usually a long time. Whether a company is investing to build a brand, to build a new manufacturing facility, or to build a new product, the one common denominator is that the return on those investments are paid back in years. If businesses are built over time, why then are they managed and judged over quarters?

Today, thinking long-term is increasingly more difficult. An accelerating pace of change creates unstoppable pressures for an on-demand economy, in which new technologies empower consumers to have access to information and services in real-time. And businesses cater to 'right now' consumers, with more devices and more apps that deliver instant gratification at the push of a button. For better or worse, consumer behavior is at the point of no return.

In an 'always on' economy, where many businesses are expected to offer tailored on-demand services to win, investors in those business are routinely told to think long-term. But how are you supposed to do this? Look at what you're up against - instant notifications of up-to-the-minute financial market moves sent directly to your mobile phone, headlines highlighting economic data releases or company earnings announcements, and market pundits on business television warning you about market-moving developments or geopolitical threats. The louder the noise gets, the harder it is to ignore. What's important to understand is that the constant flow of information compels you to shorten your time horizon and distract you from your ultimate goal - long-term returns. Paying attention to all the information available to you is impossible and overwhelming. Fortunately, you really only need to understand a small portion of it to be a successful investor.

1 medium.com/the-10x-entrepreneur/warren-buffett-has-made-99-7-of-his-money-after-the-age-of-52-71e2ce04c347

Investors today tend to look to the stock market as a quick means of making a profit. We dub this behaviour as 'short-termism': the tendency to invest in financial markets in periods that are so short, you substantially lower your odds of successful returns. The relative time scale for these types of investors tend to be measured in days, weeks, or months, which leads to increased trading activity, higher taxes, higher fees, and lower average returns. So, when Amazon's Jeff Bezos – the man behind the company that can deliver almost any consumer good to your door within 24 hours at a click of a button – advocates that "it's all about the long-term", perhaps investors should listen carefully.² He did, after-all, build one of the world's most valuable companies and became extraordinarily wealthy in the process. And he did so...slowly (Amazon was founded in 1994).

If investing is about being patient and choosing wisely – which is seemingly simple – isn't it ironic that this proven and easy to understand strategy for successful investing is also the most difficult to adhere to? Buffett's investment philosophy has been widely documented and published for decades, yet very few investors have been able to replicate his level of success. Thinking long-term is hard, which is why it's so rewarding. Patience, as it turns out, is generally as important as intelligence when investing. As Buffett said: "Investing is simple, but not easy".³

I think it's important to define what we mean by 'long-term'. The notion of long-term, after all, can vary amongst investors. So, what does long-term mean to FAX? For us, it does not mean buy and hold forever; it would be foolish not to re-evaluate your investments periodically as a matter of discipline. The lifespan of a company tends to fluctuate in cycles that often mirror the state of the economy and reflect disruption from technologies (which are accelerating at a rapid pace), and monitoring these trends over time is crucial. For instance, the average tenure for a company to remain a constituent on the S&P 500 has narrowed from 33 years in 1964 to 24 years in 2016⁴, and expectations are for this to shrink further still. When we deploy shareholders' capital, our intended investment horizon is at least 5 years, with a targeted goal of doubling our invested capital over that time period. We believe that this is a sufficient amount of time to take advantage of time-horizon arbitrage: that is, buying an asset with long-term value that is underappreciated by a market that is increasingly short-term focused. This is not to say we will not hold an investment longer – in fact, we hope to hold an investment for 10 or 20 years or more, but as a continuous exercise of discipline we gear our thinking of performance in 5-year rolling increments.

We created and structured FAX from the ground up as a long-term investment vehicle. Our goal is to find companies that are undervalued and have the potential to grow over many years, and if we do our job well there is little need to waste time trying to time the market. We are confident that if we take intelligent risks, we can achieve superior investment results. However, long-term investors must be prepared to weather market volatility, like the one we are currently experiencing. FAX has a permanent source of capital which allows us to endure greater volatility in returns. Ultimately though it is you as an investor who must 'hold on' through periods of uncertainty in order to capitalize on the benefits of our long-term investments. You need to be patient.

What does it take to stay invested? The answer may surprise you. Patient investing requires a bit of faith. Now let me explain. Unfortunately, certainty does not exist in the markets (as much as we all wish it did!), and without a sliver of faith, emotions can lead you to the exact wrong decision at the exact wrong time. Emotions are the enemy of investing. What, then, might you place your faith in to stick with an investment in FAX? In our minds, it's really about four key items.

1. **The Opportunity** in Canadian small-cap companies that are under-followed and under-valued, having been largely abandoned by increasingly short-term focused institutional investors.
2. **An Investment Approach** that prioritizes rigour and discipline and is focused on owning only the highest quality, durable growth-oriented businesses within our mandate.
3. **A Team** that brings a proven track record together with decades of experience in business building, sell-side research, buy-side traditional asset management and private equity.
4. **An Alignment of Interests** between insiders and shareholders highlighted by internalized management, no management fees and an insider ownership base of 65%.

To be clear, we are asking our shareholders to have a level of healthy faith, which we expect will be accompanied by a dose of skepticism and scrutiny. Judge us by the evidence of the success of our investment strategy over the long-term. The markets are chock-full of highly intelligent participants trying to outsmart one another in the short-term. Don't play that game. Stay calm, stay focused, and remain patient – through the good times and the bad. We certainly know we will.

Your Chief Executive Officer,



Blair Driscoll
March 24, 2020

² Amazon: 1997 Letter to shareholders.

³ <https://www.theglobeandmail.com/globe-investor/investment-ideas/15-of-warren-buffetts-best-aphorisms-on-investing-love-and-life/article4565121/>

⁴ <https://www.innosight.com/insight/creative-destruction/>

Q&A WITH FAX

Why is internalized management important?

When a company is internally managed, like FAX, the costs to operate the business are relatively fixed, allowing the benefit of increased assets and increased scale to accrue to the shareholder rather than to the manager. Externally managed entities, such as traditional investment funds and some real estate vehicles, charge management fees to operate their businesses. On a dollar basis, these fees are often variable – when assets in these companies rise, so too do the management fees. Additionally, externally managed companies may not be fully aligned with shareholders because of their desire to maximize fees over share price appreciation. At FAX, we are fully aligned with shareholders as management and insiders own 65% of the shares outstanding.

Why is permanent capital important?

A permanent capital base allows an investor to take a true long-term view. During times of volatility, open-ended investment vehicles (i.e. non-permanent), such as mutual funds, hedge funds or ETFs, often face redemptions which force these entities to divest underlying assets during inopportune times. Permanent capital, by contrast, is not subject to redemption-risk and can therefore be invested in perpetuity, which allows an investment vehicle like FAX to hold an asset through times of heightened volatility to realize the investment's full return potential. Permanent capital is particularly important in small-cap investing, where companies are often illiquid and more exposed to short-term volatility risks. FAX is also differentiated from traditional private equity funds, which may have longer time horizons than open-ended mutual funds, but still have finite fund lives requiring a defined exit strategy. At FAX, we have the structure to hold great investments over the long-term.

Why focus on small cap companies?

Small-cap stocks have outperformed large cap stocks over the long-term. Since the turn of the century through the end of 2019, the Russell 2000 has achieved a total return of 7.7% vs the S&P 500 at 6.1%⁵. In Canada though, driven by a handful of dynamics, including asset manager consolidation and the rise of passive investing, institutional capital has increasingly been forced into larger and more liquid companies, leaving smaller companies overlooked by investors. This lack of capital has created pricing inefficiencies in the small-cap market, providing the foundation for diligent investors to achieve outsized returns. In our view, smaller companies present an attractive investment opportunity because of their lower valuations, higher growth potential and better access to senior management.

Why focus on Canada?

Over 90% of listed Canadian companies have a market cap below \$1.5 billion but the vast majority of institutional capital focuses on the larger end of the market, which represents the remaining 10%⁶. Despite the breadth of the Canadian small-cap markets, the hollowing out of institutional interest in small-cap markets is particularly acute in Canada, where we have witnessed a structural shift of capital out of Canadian-focused small-cap funds and into larger global funds. Since 2014, Canadian-focused small-cap funds (managed by Canadian managers) have seen their assets decline 23.1%, as US and Global focused small-cap funds (also managed by Canadian managers), have seen their assets grow 76%⁷. As a result, pricing inefficiencies in Canada are more pronounced. We believe the continued outflows from Canadian-focused funds and consolidation of asset managers will provide a large set of opportunities for FAX to pursue in the small-cap markets for the foreseeable future. Our network and relationships are in Canada as well, which further enhances our edge.

What does Active Ownership mean?

Active Ownership involves the use of the rights and position of ownership, applied through shareholder engagement and voting activities, to work collaboratively with investee companies with the objective of growing the company's value. Active Ownership is not activism, which is often associated with an adversarial approach. Instead, Active Ownership involves supporting and augmenting already strong management teams, leveraging both our demonstrated track record as business builders and investors, as well as our industry network. FAX's engagement involves a structured process that includes active dialogue with management and the board, and may at times include having a representative on the board, or board observer rights, where appropriate.

⁵ Bloomberg, as at December 31, 2019.

⁶ Bloomberg, as at September 20, 2019.

⁷ Simfund Canada as of June 2019.

Why a focus on public investments over private investments?

Our flexible structure, which enables a focus in both public and private companies, allows us to pivot towards the most attractive market opportunities. Driven by the wave of capital inflows into private equity, for the first time in recent memory, private valuations are higher than public valuations. Indeed, the record level of funds raised by private capital strategies in 2019 has led to concerns of overheated valuations in relatively illiquid private companies that are becoming the subject of bidding wars.⁸ The situation may be exacerbated by the overhang of a record US\$2.41B⁹ of cumulative dry power within private capital that has yet to be deployed. Currently, we see better value in public markets and have weighted our capital and our focus accordingly. While our current focus is on public companies, we intend to ultimately allocate approximately 20% of our investable capital to private companies. Competition for private assets is high but we think there is an opportunity for FAX to 1) acquire private companies undergoing ownership transition that are looking for a permanent partner; 2) provide growth capital to private companies that are not large enough to go public; and 3) take orphaned public companies private at more attractive valuations.

What is your investment process?

Durable, repeatable, scalable investment organizations are defined by their investment process and we are committed to ours. Leveraging our background in sell-side research, buy-side money management, private equity investing and business building, we have developed a rigorous and comprehensive due diligence process that enables a deep understanding of the opportunity and risks associated with potential investments. As we intend to own our investments for the long-term, our mandate is focused on high-quality businesses – those that are durable, profitable, well-run growth-oriented companies. Our objective is to realize a doubling of our invested capital every 5 years.

Why is concentration important?

We intend to invest in 10–15 high-quality opportunities, with a minimum of at least six investments, and to do the work necessary to build the conviction to invest in only our best ideas. Traditional mutual funds tend to invest across 30 to 50 companies or more, with a view to diversify risk. This approach, however, detracts from returns as high-quality investments are simply not that plentiful. Wealth is almost always realized through focus and concentrated exposure to well-run businesses.

What is your approach to risk management and are there any businesses or industries that you avoid?

While FAX's portfolio is intended to be concentrated, we apply thorough risk analysis to each and every investment, and safeguard our portfolio by not concentrating in one industry sector, one geography or one business theme. Led by our disciplined investment criteria, we are unlikely to invest in resource extraction industries because of their poor returns on capital and unpredictable cash flows. Also, we are unlikely to invest in early stage companies that are not profitable and have not demonstrated a track record of durable and predictable earnings.

⁸ Pitchbook, 2019 Annual Private Strategies Report; McKinsey's Private Markets Annual Review, 2019; Bain & Company, Global Private Equity Report 2020.

⁹ Pitchbook, 2019 Annual Private Strategies Report.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated Financial Statements of FAX Capital Corp. have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the information presented, including selecting appropriate accounting principles and making judgments and estimates. These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards. Financial information presented elsewhere in this Annual Report is consistent with that in the Consolidated Financial Statements for comparable periods.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization.

Ultimate responsibility for the Consolidated Financial Statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting entirely of independent directors. This Committee reviews the Consolidated Financial Statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the external auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with the external auditors to review the scope and timing of their audit, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte LLP, independent auditors appointed by the shareholders, have examined the Consolidated Financial Statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The external auditors have full and free access to the Audit Committee to discuss their audit and related findings.

March 24, 2020

Signed by:

"Blair Driscoll"

Blair Driscoll
Chief Executive Officer

Signed by:

"Edward Merchand"

Edward Merchand
Chief Financial Officer

Independent Auditor's Report

To the Shareholders and Board of Directors of FAX Capital Corp.

Opinion

We have audited the consolidated financial statements of FAX Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS 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 financial statements.

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

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

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 24, 2020

FAX CAPITAL CORP.

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Presented in Canadian Dollars)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Presented in Canadian Dollars)

	2019	2018
ASSETS		
Current Assets		
Cash	\$ 187,991,712	\$ 5,138,740
Accounts and other receivables (Note 5)	627,861	11,502
Prepaid expenses	113,872	4,725
Total Current Assets	188,733,445	5,154,967
Long Term Assets		
Capital assets (Note 6)	15,896	-
Total Long Term Assets	15,896	-
Total Assets	\$ 188,749,341	\$ 5,154,967
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 1,974,377	\$ 283,031
Income taxes payable	-	366,850
Total Current Liabilities	1,974,377	649,881
Total Liabilities	1,974,377	649,881
Equity		
Share capital (Note 9)	188,756,804	12,948,742
Contributed surplus (Note 9)	-	417,784
Deficit	(1,981,840)	(8,861,440)
Total Equity	186,774,964	4,505,086
Total Liabilities and Equity	\$ 188,749,341	\$ 5,154,967

Approved on Behalf of the Board:

Signed: "Blair Driscoll", Director

Signed: "Paul Gibbons", Director

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Presented in Canadian Dollars)

	2019	2018
REVENUE		
Interest and other income	\$ 544,411	\$ 11,686
Net realized losses on investments	-	(329,482)
Net change in unrealized losses on investments	-	270,786
	544,411	(47,010)
EXPENSES		
Compensation (Note 12)	1,101,890	13,433
Professional fees	547,375	552,155
Office, general and admin (Note 12)	402,005	55,554
Director fees (Note 12)	300,833	68,740
Filing and listing fees	293,987	15,191
Consulting fees	110,296	-
Depreciation	4,993	-
	2,761,379	705,073
Loss Before Taxes	\$ (2,216,968)	\$ (752,083)
Income tax (recovery) expense (Note 8)	(235,128)	366,850
Net Loss and Comprehensive Loss	\$ (1,981,840)	\$ (1,118,933)
Loss per share (Note 11)		
Basic	\$ (0.37)	\$ (2.19)
Diluted	\$ (0.37)	\$ (2.19)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018
(Presented in Canadian Dollars)

	Share Capital					Deficit	Total Shareholders' Equity
	Subordinate Voting Shares (Note 9)	Multiple Voting Shares (Note 9)	Founder Warrants (Note 9)	Contributed Surplus (Note 9)			
Balance at January 1, 2018	\$ 8,948,742	\$ -	\$ -	\$ 417,784	\$ (7,742,507)	\$	1,624,019
Shares issued	-	4,000,000	-	-	-		4,000,000
Net loss	-	-	-	-	(1,118,933)		(1,118,933)
Balance at December 31, 2018	\$ 8,948,742	\$ 4,000,000	\$ -	\$ 417,784	\$ (8,861,440)	\$	4,505,086
Balance at January 1, 2019	\$ 8,948,742	\$ 4,000,000	\$ -	\$ 417,784	\$ (8,861,440)	\$	4,505,086
Capital reorganization (Note 9 (b))	(8,373,574)	(70,082)	-	(417,784)	8,861,440		-
Shares issued (Notes 9 (c) and (d))	64,885,200	120,019,995	5,134,800				190,039,995
Share issuance costs (Note 9 (e))	(4,230,094)	(1,223,427)	(334,756)	-	-		(5,788,277)
Net loss	-	-	-	-	(1,981,840)		(1,981,840)
Balance at December 31, 2019	\$ 61,230,274	\$ 122,726,486	\$ 4,800,044	\$ -	\$ (1,981,840)	\$	186,774,964

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Presented in Canadian Dollars)

	2019	2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	\$ (1,981,840)	\$ (1,118,933)
Adjustments for non-cash items:		
Depreciation of capital assets	4,993	-
Net realized losses on disposal of investments	-	329,482
Net unrealized losses on investments	-	(270,786)
Changes in non-cash working capital:		
Accounts and other receivables	(616,359)	2,812
Prepaid expenses	(109,147)	(4,725)
Accounts payable and accrued liabilities	1,691,346	224,734
Income taxes payable	(366,850)	366,850
	\$ (1,377,857)	(470,566)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of capital assets	(20,889)	-
Decrease in due from broker	-	3,992,171
Exploration and evaluation expenditures	-	100,000
Purchase of securities	-	(14,355,422)
Proceeds from sale of securities	-	11,946,340
	(20,889)	1,683,089
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from issue of Subordinate Voting Shares	64,885,200	-
Proceeds from issue of Multiple Voting Shares	120,019,995	4,000,000
Proceeds from issue of Founder Warrants	5,134,800	-
Share issuance costs	(5,788,277)	-
Decrease in loans payable	-	(100,000)
	184,251,718	3,900,000
Net Increase in Cash	182,852,972	5,112,523
Cash, Beginning of Year	5,138,740	26,217
Cash, End of Year	\$ 187,991,712	\$ 5,138,740
Supplemental Cash Flow Information		
Interest paid	\$ -	\$ -
Income taxes paid, net of refunds	\$ 124,839	\$ 6,883

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

1. NATURE OF BUSINESS

FAX Capital Corp. (the “Company”) was incorporated in Ontario in 1923, until it was continued federally under the laws of Canada in 1978. The Company is an investment holding company. Previously, the Company was engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Company’s change in business from a mineral resource exploration company to an investment holding company was approved by the Company’s shareholders at a special meeting held on November 23, 2018 and by the Canadian Securities Exchange (the “CSE”) in February 2019.

On December 17, 2018, the Company changed its name from God’s Lake Resources Inc. to FAX Capital Corp. The name change was approved at the annual and special meeting of shareholders of the Company held on June 29, 2018, and completed in connection with the Company’s change of business from a mineral resource exploration company to an investment holding company.

On November 21, 2019, the Company’s subordinate voting shares and the Founder Warrants were listed on the Toronto Stock Exchange (“TSX”) under the symbols FXC and FXC.WT, respectively, pursuant to the TSX’s Sandbox initiative for the listing of new issuers. In conjunction with the listing on the TSX, the subordinate voting shares listed on the CSE were voluntarily halted and delisted from the CSE.

The Company is domiciled in the Province of Ontario, and its registered office address is 100 Wellington Street West, Suite 2110 Toronto, Ontario, M5K 1H1.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Significant accounting estimates, judgments, and assumptions used or exercised by management in preparation of these consolidated financial statements are presented below.

Basis of Presentation

These consolidated financial statements have been prepared using the historical cost convention except for certain financial instruments which are measured at fair value.

Functional and Presentation Currency

The Company’s functional and presentation currency is the Canadian dollar.

2. BASIS OF PREPARATION (Continued)

Basis of Consolidation

These consolidated financial statements include the financial statements of FAX Capital Corp. and its wholly-owned subsidiary, Golden Brick Exploration Inc. ("Golden Brick"), which is a corporation formed under the laws of the Province of Ontario. This subsidiary was fully consolidated from the date of acquisition, being the date on which the Company obtained control, until April 25, 2018, the date that such control ceased (see note 4). The financial statements of the subsidiary were prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany account balances and transactions were eliminated upon consolidation.

Critical Accounting Judgments, Estimates, and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the consolidated financial statements, and the 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. Uncertainty about these judgments, estimates, and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

Income Taxes

Income taxes relating to uncertain tax positions are recognized based on the expected value of the tax settlement with the related tax authority. Judgment is required to determine the amount of tax provision relating to these uncertain tax positions.

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable income will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

Founder Warrants

The Company uses the Black-Scholes model to calculate the value of Founder Warrants issued as part of the Company's public offering of units. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. Proceeds from the public offering of units, net of issuance costs, are allocated between subordinate voting shares and Founder Warrants issued according to their relative fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Cash

Cash consists of deposits at Canadian chartered banks which are available on demand.

Capital Assets

Capital assets are carried at cost less accumulated depreciation. Capital assets are comprised of computer equipment which is depreciable on a straight line basis over 3 years.

Revenue Recognition

Purchases and sales of investments are recognized on the trade date. Realized gains and losses on disposal and unrealized gains and losses in the value of investments are reflected in the consolidated statement of comprehensive loss. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the purchase and sale of investments are expensed as incurred.

Financial Instruments

The Company's financial instruments are comprised of cash, accounts and other receivables, and accounts payable and accrued liabilities.

All financial assets are recorded at fair value in the Consolidated Balance Sheets. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred substantially all of the risks and rewards of the asset. The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired, the impairment provision is based upon the expected loss.

All other financial assets and financial liabilities, primarily comprised of accounts and other receivables, and accounts payable and accrued liabilities, are measured at amortized cost which approximates fair value. Under the amortized cost method, financial assets and liabilities reflect the amount required to be received or paid and discounted when appropriate using the effective interest method.

Share Capital

The Company's multiple voting shares, subordinate voting shares and Founder Warrants are classified as equity in the financial statements. Incremental costs directly attributable to the issuance of multiple voting shares, subordinate voting shares and Founder Warrants are recognized as a deduction from equity.

Loss Per Share

Basic net loss per share is calculated based on the weighted average number of common shares outstanding during the year. Diluted net loss per share is determined by adjusting the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. The Company's multiple voting shares and its subordinate voting shares are both classes of common shares of the Company. Instruments which would be anti-dilutive are not included in the calculation of diluted loss per share.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-Based Payments

The Company uses the fair value based method to account for stock options granted to employees. The fair value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

The Company recognizes a liability for cash and share settled awards including those granted under the Performance Share Unit, Restricted Share Unit and Deferred Share Unit plans. Compensation expense is recognized over the vesting period. The liability is remeasured at fair value at each reporting period.

Income Taxes

(i) Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not through profit or loss.

(ii) Deferred tax:

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that profit will be available against which the deductible temporary difference and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statements of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the consolidated statements of comprehensive loss.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

The Company does not record deferred tax assets on deductible temporary differences, the carry-forward of unused tax credits or unused tax losses to the extent that it considers it cannot be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in Accounting Policies

IFRS 16 Leases (IFRS 16)

On January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16, which replaced IAS 17 Leases, was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessees' classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease is unaffected by the new standard. However, the new standard results in the timing of lease expense recognition being accelerated for leases which were formerly accounted for as operating leases. The presentation on the statement of comprehensive loss required by the new standard results in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The adoption of this standard did not have a significant impact on the Company's financial position or results of operations.

4. DISPOSAL OF GOLDEN BRICK EXPLORATION INC.

On April 25, 2018, the Company entered into an agreement to sell the shares of its wholly-owned subsidiary, Golden Brick, in settlement of its loans payable to AER Nickel Corporation Limited and Mini Metals Inc. in the aggregate amount of \$100,000. The above corporations were controlled by a former director of the Company. The loans were unsecured, non-interest bearing, and were due on demand. The loans were provided to the Company for general working capital purposes. As a result of the change in control of the Company on May 30, 2018, these two entities are no longer related parties to the Company.

5. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consist of the following:

	2019	2018
Interest	\$ 359,630	\$ 4,619
Due from Fax Investments Inc. (Note 12(c))	268,231	-
Income taxes recoverable	-	6,883
	\$ 627,861	\$ 11,502

6. CAPITAL ASSETS

The following is a continuity schedule of computer equipment:

Cost	2019	2018
Balance - beginning of year	\$ -	\$ -
Additions	20,889	-
Balance - end of year	\$ 20,889	\$ -
Accumulated Amortization	2019	2018
Balance - beginning of year	\$ -	\$ -
Depreciation	4,993	-
Balance - end of year	\$ 4,993	\$ -
Carrying Value	2019	2018
Balance	\$ 15,896	\$ -

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2019	2018
Accounts payable	\$ 494,189	\$ 47,031
Accrued liabilities	780,188	236,000
Short-term employee compensation	700,000	-
	\$ 1,974,377	\$ 283,031

8. INCOME TAXES

The components of income tax expense are as follows:

	2019	2018
Current income taxes	\$ (235,128)	\$ 366,850
Deferred income taxes	-	-
Income tax (recovery) expense	\$ (235,128)	\$ 366,850

8. INCOME TAXES (Continued)

The following is a reconciliation of income tax expense to the combined federal and provincial statutory income tax rate:

	2019	2018
Loss before taxes	\$ (2,216,968)	\$ (752,083)
Statutory tax rate	26.5%	26.5%
Expected tax recovery at statutory rates	(587,497)	(199,302)
Non-taxable portion of trading losses	-	8,616
Permanent differences	3,828	11,519
Adjustments in respect of Company's change in business	-	366,850
Adjustments for prior years	(235,128)	-
Deferred tax asset not recognized	583,668	179,167
Income tax expense (recovery)	\$ (235,128)	\$ 366,850

DEFERRED INCOME TAXES

Source of deferred income taxes are as follows:

	2019	2018
Non-capital losses	\$ 583,668	\$ 179,167
Assets not recognized	(583,668)	(179,167)
Deferred income tax asset (liability)	\$ -	\$ -

As at December 31, 2019, the Company had non-capital losses of approximately \$2,810,000 (2018 - \$608,998) available to reduce future taxable income. A deferred tax asset has not been recorded as it does not meet the requirements to recognize.

9. SHARE CAPITAL

(a) Authorized

- (i) An unlimited number of multiple voting shares, which entitle the holder to 10 votes per multiple voting share on all matters upon which shareholders are entitled to vote. Fax Investments Inc., owns all of the issued and outstanding multiple voting shares; and
- (ii) An unlimited number of subordinate voting shares, which entitle the holder one vote per subordinate voting share on all matters upon which shareholders are entitled to vote.
- (iii) The multiple voting shares and the subordinate voting shares rank pari passu, as to the right to receive dividends and to receive the remaining property and assets of the Company on the liquidation, dissolution or winding-up of the Company, whether voluntarily or involuntarily, or any other distribution of assets of the Company among its shareholders for the purposes of winding up its affairs; and

9. SHARE CAPITAL (Continued)

- (iv) On December 17, 2018, the Company entered into a coattail agreement with Computershare Trust Company of Canada and Fax Investments Inc. (the “Coattail Agreement”) to ensure that, in the event of a take-over bid, the holders of subordinate voting shares will be entitled to participate on an equal footing with holders of multiple voting shares. The Coattail Agreement contains provisions designed to prevent transactions that otherwise would deprive the holders of subordinate voting shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the multiple voting shares had been subordinate voting shares.

(b) Capital Reorganization

On June 27, 2019, at the annual general and special meeting of shareholders, a special resolution was passed which authorized the Company to implement a capital reorganization. A capital reorganization is an accounting process and transaction used by a company to reduce its accumulated deficit by recording a corresponding reduction in its share capital and contributed surplus accounts. The Company implemented the capital reorganization because its accumulated deficit was primarily due to the Company’s former business as a mineral resource exploration company and was not reflective of the new business of the Company as an investment holding company.

The capital reorganization resulted in the reduction of the accumulated deficit of the Company by \$8,861,440, the reduction of the stated capital account of the subordinate voting shares by \$8,373,574, the reduction of the stated capital account of the multiple voting shares by \$70,082, and the reduction of the contributed surplus account of the subordinate voting shares by \$417,784.

(c) Public Offering of Units

On November 21, 2019, the Company closed the public offering of units of the Company (the “Offering”) at a price of \$4.50 per unit (the “Offering Price”) pursuant to the Company’s long-form prospectus dated October 18, 2019. An aggregate of 15,560,000 units were issued by the Company at the Offering Price for aggregate gross proceeds of \$70,020,000. Each unit consisted of one subordinate voting share of the Company and one Founder Warrant. The aggregate gross proceeds were allocated according to their relative fair value of \$64,885,200 to the subordinate voting shares and \$5,134,800 to the Founder Warrants.

Founder Warrants entitle the holder to acquire, subject to adjustment in certain circumstances, one subordinate voting share at an exercise price per share of \$4.50 on the date that is 24 months following November 21, 2019, the date the Company closed its public offering of units of the Company (the “Expiry Time”). Following the Expiry time, the Founder Warrants will be deemed to have expired and become void. The Founder Warrants are exercisable, at the option of each holder, in whole or in part, by payment in full of the aggregate exercise price payable in cash for the number of subordinate voting shares purchased upon such exercise. The Founder Warrants are governed by the terms and conditions set forth in a warrant indenture entered into between the Company and Computershare Trust Company of Canada.

9. SHARE CAPITAL (Continued)

The fair value of the Founder warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.57%
Expected life	2 years
Expected volatility	20%
Share price	\$4.17
Exercise price	\$4.50

(d) Private Placement of Multiple Voting Shares

On November 21, 2019, the Company closed the purchase by Fax Investments Inc., on a private placement basis, of 26,671,110 multiple voting shares of the Company at a subscription price per share of \$4.50 for an aggregate amount of \$120,019,995 (the "Substantial Equity Investment"). Fax Investments Inc. did not receive any Founder Warrants as part of its subscription for multiple voting shares.

(e) Share Issuance Costs

The Company incurred \$5,788,277 of share issuance costs in respect of its public offering of units and its private placement of multiple voting shares. These amounts were deducted from equity as follows: \$1,223,427 were charged to the multiple voting shares; \$4,230,094 were charged to the subordinate voting shares; and \$334,756 were charged to the Founder Warrants.

(f) Issued and Outstanding

	2019		2018	
	#	Stated Value	#	Stated Value
Multiple Voting Shares	26,971,411	\$ 122,726,486	300,301	\$ 4,000,000
Subordinate Voting Shares	16,059,171	\$ 61,230,274	499,171	\$ 8,948,742
Founder Warrants	15,560,000	\$ 4,800,044	-	\$ -
		\$ 188,756,804		\$ 12,948,742

The Company's number of issued and outstanding multiple voting shares and subordinate voting shares are retrospectively presented to reflect the 5:1 consolidation which became effective on November 21, 2019 as approved by shareholders at the Company's annual and special general meeting on June 27, 2019.

10. LONG-TERM INCENTIVE PLAN

The Company has a long-term incentive plan (the “Plan”) to assist in attracting, retaining and motivating directors and employees of the Company. The Plan is designed to: (i) encourage share ownership; (ii) align eligible participants’ interests in the performance of the Company; (iii) encourage the retention of key employees within the Company; and (iv) attract high qualified employees by remaining competitive in terms of total compensation arrangements. The Governance, Compensation and Nominating Committee (the “Committee”) of the Company’s Board of Directors administers the Plan.

The maximum aggregate number of subordinate voting shares that may be issuable pursuant to awards granted under the Plan to insiders of the Company shall not exceed 10% of the issued and outstanding subordinate voting shares of the Company. No more than 5% of the issued subordinate voting shares of the Company may be granted to any one participant, and no more than 2% of the issued subordinate voting shares of the Company may be granted to any one employee conducting “Investor Relations Activities” in any twelve-month period. The awards are non-transferable and non-assignable.

The specific awards that may be granted under the Plan are as follows:

(a) Options

Options to purchase subordinate voting shares may be granted to eligible persons at an exercise price which shall in no event be lower than the Market Price on the grant date. The Market Price means the volume-weighted average trading price of the subordinate voting shares for the ten trading days immediately preceding such date as reported on the stock exchange on which the subordinate voting shares are listed for trading or quoted. Options are subject to time vesting conditions set out at the grant date. Options vest and become exercisable in approximately equal tranches of 25% of the total award on the first anniversary of the grant date and each of the next four anniversaries of the grant date and are exercisable no later than 10 years after the grant date.

The Company did not grant any options during the years ended December 31, 2019 and 2018. The Company currently does not have any options outstanding.

(b) Restricted Share Units

Restricted Share Units (“RSUs”) may be granted as either Discretionary Restricted Share Units (“Discretionary RSUs”) or as Elective Restricted Share Units (“Elective RSUs”). Discretionary RSUs may be granted to eligible persons at such time as determined by the Board pursuant to recommendations of the Committee. In addition, the Board may, on fixed dates and upon certain conditions determined by the Board, permit an eligible employee to elect to defer receipt of all or a portion of his or her annual incentive bonus payable by the Company and receive in lieu thereof an award of RSUs, being the Elective RSUs. The value of each RSU is based on the share price of the Company’s subordinate voting shares. Discretionary RSUs will vest immediately and be settled no later than December 31 of the calendar year which is no earlier than three years and no later than five years after the calendar year in which the Discretionary RSU was granted. Elective RSUs will vest immediately and be settled no later than December 31 of the calendar year which is three years after the calendar year in which the Elective RSU was granted. Discretionary RSUs are share settled in subordinate voting shares and Elective RSUs are cash settled. The Committee will determine whether and to what extent dividend equivalents will be credited to a participants account with respect to awards of RSUs.

The Company did not grant any RSUs during the years ended December 31, 2019 and 2018. The Company currently does not have any RSUs outstanding.

10. LONG-TERM INCENTIVE PLAN (Continued)

(c) Deferred Share Units

Deferred Share Units ("DSUs") may be granted as either Discretionary Deferred Share Units ("Discretionary DSUs") or as Elective Deferred Share Units ("Elective DSUs"). Discretionary DSUs may be granted to eligible persons at such time as determined by the Board pursuant to recommendations of the Committee. In addition, the Board may permit an eligible participant to elect to defer receipt of all or a portion of his or her annual board retainer payable by the Company and receive in lieu thereof an award of DSUs, being the Elective DSUs. The value of each DSU is based on the share price of the Company's subordinate voting shares. Discretionary DSUs vest based on the period determined by the Committee at the time the award is granted. Elective DSUs vest immediately at the time the award is granted. DSUs are settled after the time a participant ceases to be a director or employee of the Company for any reason and by December 31 of the first calendar year that commences after such time. DSUs are cash settled. The Committee will determine whether and to what extent dividend equivalents will be credited to a participants account with respect to awards of DSUs.

The Company did not grant any DSUs during the years ended December 31, 2019 and 2018. The Company currently does not have any DSUs outstanding.

(d) Performance Share Units

Performance Share Units ("PSUs") may be granted to eligible persons at such time as determined by the Board pursuant to recommendations of the Committee. PSUs are subject to performance and time vesting conditions. The performance criteria that shall be used to determine the vesting of the PSUs may include criteria based upon the achievement of Company-wide, divisional or individual goals, or as may otherwise be determined by the Board. The value of each PSU is based on the share price of the Company's subordinate voting shares. PSUs will vest and be settled no later than December 31 of the calendar year which is three years after the calendar year in which the PSU was granted. The Committee will determine whether and to what extent dividend equivalents will be credited to a participants account with respect to awards of PSUs.

The Company did not grant any PSUs during the years ended December 31, 2019 and 2018. The Company currently does not have any PSUs outstanding.

11. LOSS PER SHARE

Basic and diluted earnings per common share are calculated as follows:

	2019	2018
Net loss available to common shareholders	\$ (1,981,840)	\$ (1,118,933)
Weighted average number of common shares outstanding - basic and diluted	5,427,539	510,689
Loss per common share		
Basic	\$ (0.37)	\$ (2.19)
Diluted	\$ (0.37)	\$ (2.19)

11. LOSS PER SHARE (Continued)

The Company's multiple voting shares and its subordinate voting shares are both classes of common shares of the Company.

The weighted average number of outstanding common shares used in the earnings per share calculations reflect the 5:1 share consolidation of the Company's issued and outstanding multiple voting shares and subordinate voting shares which became effective on November 21, 2019 as approved by shareholders at the Company's annual and special general meeting on June 27, 2019 and the 3.7:1 share consolidation of the Company's issued and outstanding multiple voting shares and subordinate voting shares which became effective on December 17, 2018.

12. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations.

- (a) The Company and Federated Capital Corp. ("Federated Capital"), the parent company of Fax Investments, entered into an agreement (the "Administrative Services Agreement") whereby the Company will have access to certain office space and supplies, computers, communication equipment and administrative personnel provided by Federated Capital. As consideration for such services (including the use of office space), the Company has agreed to pay Federated Capital a fee equal to the costs and expenses of Federated Capital in providing such services and office space, plus 5%. Federated Capital did not charge the Company any expenses under the Administrative Services Agreement in 2019 (2018 - \$nil).

- (b) On November 21, 2019, the Company closed the purchase by Fax Investments, on a private placement basis, of 26,671,110 multiple voting shares of the Company at a subscription price per share equal to the Offering Price for an aggregate amount of \$120,019,995.

Prior to the completion of the Substantial Equity Investment, Fax Investments, had direct or indirect ownership of, or control over, 300,301 multiple voting shares, representing 100% of the issued and outstanding multiple voting shares and 299,247 subordinate voting shares in the capital of the Company, representing approximately 59.95% of the issued and outstanding subordinate voting shares. Following the completion of the Offering and the Substantial Equity Investment (the "Offerings"), Fax Investments has direct or indirect ownership of or control over 26,971,411 multiple voting shares, representing 100% of the voting rights attached to the multiple voting shares and 299,247 subordinate voting shares, representing 1.86% of the voting rights attached to the subordinate voting shares, which represents in aggregate approximately 94.5% of the voting rights attached to the Company's issued and outstanding shares.

The Substantial Equity Investment was completed as a condition precedent of the Company's Offering (see Notes 9 (c) and (d)).

- (c) Fax Investments agreed to pay all issue expenses, excluding agents' commissions, incurred by the Company in connection with the Offerings in excess of 1.5% of the gross proceeds of the Offerings. As a result of this commitment, Fax Investments will reimburse the Company \$268,231 of excess issue expenses. This amount is included in accounts and other receivables in the Consolidated Statements of Financial Position as at December 31, 2019.

12. RELATED PARTY TRANSACTIONS (Continued)

- (d) Fax Investments has agreed to pay at the end of each fiscal year of the Company (pro rated for the period from November 21, 2019, the closing date of the Offerings to December 31, 2019), certain specified operating expenses of the Company exceeding 2.85% of the Company's average month-end book value for such fiscal year until December 31, 2024. The Company's specified operating expenses were below this threshold in 2019 and, accordingly, Fax Investments was not required to reimburse the Company for excess operating expenses in 2019 (2018 - \$nil).

Key Management Personnel

Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company considers its executive officers and its directors to be its key management personnel. In 2019, given the Company's early stage of development, the Company's executive officers' compensation was not charged to the Company.

Compensation paid to key management personnel for the year ended December 31, 2019 was \$300,833 (2018 - \$82,173).

These expenditures were allocated as follows in the consolidated financial statements:

	2019	2018
Director fees	\$ 300,833	\$ 68,740
Compensation (see note 12 (a))	-	13,433
	\$ 300,833	\$ 82,173

13. MANAGEMENT OF CAPITAL

The Company includes the following in its managed capital:

	2019	2018
Multiple voting shares	\$ 122,726,486	\$ 4,000,000
Subordinate voting shares	61,230,274	8,948,742
Founder warrants	4,800,044	-
Contributed surplus	-	417,784
Deficit (Note 9 (b))	(1,981,840)	(8,861,440)
	\$ 186,774,964	\$ 4,505,086

The Company is not subject to externally imposed capital requirements. The Company's capital management objectives may change once it becomes more active in its investment holding company operations.

14. SEGMENTED INFORMATION

The Company has one operating and geographic segment, which is that of an investment holding company. All of the Company's operations, assets, and revenues belong to this segment. Prior to the approval of the Company's change of business, it operated in one operating and geographic segment, which was that of a mineral resource exploration company. Previously, all of the Company's operations, assets, and revenues belonged to that segment.

15. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. The Company's maximum exposure to credit risk was \$627,861 as of December 31, 2019 (2018 - \$11,502), being the value of its interest receivable and a receivable from a related party. Management believes these receivables are a low credit risk. As of December 31, 2018, the Company's exposure to credit risk consisted of its interest receivable and income taxes recoverable from the Government of Canada. There have been no changes to the Company's methods for managing credit risk during the year.

Liquidity Risk

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. The Company did not generate cash flows from its principal operations and relied on its cash balance to pay its liabilities. Management ensures it maintains sufficient cash on hand for continued operations.

There have been no changes to management's methods for managing liquidity risk since December 31, 2018. The Company has working capital of \$186,759,068 as of December 31, 2019 (2018 - \$4,505,086) and in management's judgment, the Company has sufficient working capital to continue to fund its operations and to pay its liabilities for the next fiscal year.

The following is a maturity analysis of financial liabilities based on their contractual maturities:

	Payments due by period			Total
	Less than 1 year	1 - 3 years	4 - 5 years	
December 31, 2019				
Accounts payable and accrued liabilities	\$ 1,974,377	\$ -	\$ -	\$ 1,974,377
	\$ 1,974,377	\$ -	\$ -	\$ 1,974,377
December 31, 2018				
Accounts payable and accrued liabilities	\$ 283,031	\$ -	\$ -	\$ 283,031
	\$ 283,031	\$ -	\$ -	\$ 283,031

15. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (Continued)

The following is a liquidity analysis of the Company's assets:

	Liquidity by period			
	Less than 1 year	More than 1 year	Non-liquid	Total
December 31, 2019				
Cash	\$ 187,991,712	\$ -	\$ -	\$ 187,991,712
Accounts and other receivables	627,861	-	-	627,861
	\$ 188,619,573	\$ -	\$ -	\$ 188,619,573
December 31, 2018				
Cash	\$ 5,138,740	\$ -	\$ -	\$ 5,138,740
Accounts and other receivables	11,502	-	-	11,502
	\$ 5,150,242	\$ -	\$ -	\$ 5,150,242

Market Risk

Market risk is the potential for loss to the Company from changes in the values of its financial instruments due to changes in equity prices, foreign exchange rates or interest rates.

Equity Price Risk

Equity price 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 stock market prices. The Company is currently not exposed to equity price risk as it does not have an investment portfolio. There have been no changes in the Company's equity price risk management strategies for the year ended December 31, 2019.

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in the rates of exchange on foreign currency would impact the Company's future cash flows. The Company has minimal exposure to foreign exchange fluctuations as it only has an immaterial amount of cash held in a United States ("US") dollar bank account. The Company has no other assets or liabilities denominated in US dollars. There have been no changes in the Company's foreign currency risk management strategies for the year ended December 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents. The fair value of the Company's cash and cash equivalents affected by changes of interest rates is minimal. There have been no changes to managements' strategies to mitigate interest rate risk for the year ended December 31, 2019.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2019 consolidated financial statements.

17. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issue on March 24, 2020.

18. SUBSEQUENT EVENT

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. Financial markets have experienced significant volatility and equity markets in particular have experienced substantial declines. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on our future financial results.

**FAX CAPITAL CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of FAX Capital Corp. (the "Company") for the year ended December 31, 2019 and the related notes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This MD&A is prepared as of March 24, 2020.

The financial information of the Company within this MD&A is derived from the financial statements of the Company as at and for the year ended December 31, 2019 prepared in accordance with International Financial Reporting Standards ("IFRS") accounting policies as issued by the International Accounting Standards Board IASB.

Additional information relating to the Company, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com. Additional information can also be accessed from the Company's website at www.faxcapitalcorp.com.

DEVELOPMENT OF THE BUSINESS

In 2018, the Company changed its business from a mineral resource exploration company to an investment holding company. In connection with the change of business, the Company filed Articles of Amendment on December 17, 2018 to, among other things, change its name to "FAX Capital Corp.", create multiple voting shares and re-classify its common shares into subordinate voting shares.

Also, on December 17, 2018, the Company announced that it had completed the issuance of 5,555,555 multiple voting shares on a private placement basis to Fax Investments Inc. ("Fax Investments"), the majority shareholder of the Company, at a subscription price of \$0.72 per multiple voting share for total proceeds of approximately \$4.0 million. In conjunction with the completion of this private placement, Fax Investments, which then owned all of the Company's multiple voting shares, entered into a Coattail Agreement with the Company and Computershare Trust Company of Canada, acting as trustee for the benefit of the holders of subordinate voting shares. In addition, on December 17, 2018, the Company filed Articles of Amendment to consolidate its subordinate voting shares and multiple voting shares on the basis of three and seven tenths (3.7) pre-consolidation shares for one post-consolidation share with rounding up of each fractional share.

On June 27, 2019, the Company received shareholder approval to further consolidate the subordinate voting shares and multiple voting shares on a basis of up to five pre-consolidation shares for one post-consolidation share with rounding up of each fractional share with the ratio for such consolidation to be determined by the Board of Directors (the "Board") at its sole discretion, with effect on a date to be determined by the Board, subject to the necessary approvals of the stock exchange on which the subordinate voting shares are trading.

On August 29, 2019, the Company filed a preliminary prospectus with the securities regulatory authorities in each of the provinces and territories of Canada for a proposed public offering (the "Offering") of units of the Company ("Units"). Each Unit consisted of one subordinate voting share of the Company and one subordinate voting share purchase warrant (a "Founder Warrant"). Concurrently with and as a condition of closing the Offering (the "Closing"), Fax Investments, the principal shareholder and a promoter of the Company, subscribed, on a private placement basis, for multiple voting shares of the Company at a subscription price per share equal to the offering price of the Units for an aggregate subscription purchase amount equal to the sum of (i) \$75 million and (ii) the gross proceeds of the Offering realized by the Company on Closing in excess of the proceeds from the minimum offering of \$25 million of Units, up to a maximum subscription amount by Fax Investments of \$200 million (the "Substantial Equity

Investment"). Fax Investments did not receive any Founder Warrants in connection with the Substantial Equity Investment.

On September 26, 2019, the Company filed an amended and restated preliminary prospectus in respect of the Offering. The amended and restated preliminary prospectus amended and restated the preliminary prospectus to, among other things: (i) insert the offering price of the Units to \$4.50 (the "Offering Price") (on a post-consolidated 5:1 basis, with the consolidation to take effect on the business day prior to the Closing of the Offering); (ii) reflect the conditional listing approval by both the TSX Venture Exchange on customary terms and conditions subject to a \$25 million minimum offering, and the Toronto Stock Exchange (the "TSX") pursuant to the TSX Sandbox requirements and otherwise subject to a \$50 million minimum offering; and (iii) reflect the approval of certain matters by shareholders at the Company's special meeting of shareholders held on September 25, 2019.

On October 18, 2019, the Company filed and obtained a receipt from the securities regulatory authorities for its final prospectus in connection with its Offering of up to 33,333,333 Units of the Company at a price of \$4.50 per Unit.

On November 20, 2019, the Company filed Articles of Amendment to further consolidate the subordinate voting shares and multiple voting shares, on the basis of one post-consolidation subordinate voting share or multiple voting share for each five pre-consolidation subordinate voting shares or multiple voting shares, respectively, with the rounding up of each fractional share.

On November 21, 2019, the Company closed the Offering. An aggregate of 15,560,000 Units were issued by the Company at the Offering Price for aggregate gross proceeds of \$70.0 million.

Also on November 21, 2019, the Company closed the Substantial Equity Investment of 26,671,110 multiple voting shares for aggregate gross proceeds of \$120.0 million.

The aggregate gross proceeds of the Offering and the Substantial Equity Investment (collectively, the "Offerings") was \$190.0 million.

The Company's subordinate voting shares and Founder Warrants began trading on the TSX under the symbols "FXC" and "FXC.WT", respectively, on November 21, 2019 pursuant to the TSX's Sandbox initiative for the listing of new issuers (the "TSX Sandbox"). As a condition to the listing on the TSX, the Company is required to make the following disclosures:

- The Company does not meet the original listing requirements of the TSX set out at section 3.09(a) of the TSX Company Manual;
- The TSX has exercised its discretion to waive the requirements for historical earnings and pre-tax cash flow, and has listed the Company pursuant to the TSX Sandbox. Listing pursuant to the TSX Sandbox was conditioned upon a public raise resulting in minimum gross proceeds of \$50 million;
- The Company will remain listed pursuant to the TSX Sandbox rules until such time as it has: (i) deployed 50% of the proceeds raised pursuant to the Offerings; and (ii) publicly filed interim financial statements reflecting a full quarter of operating history subsequent to listing on the TSX; and
- As disclosed in its annual information form under the heading "Risk Factors", the Company has limited operating history in its current business and there is a very limited basis upon which prospective investors may evaluate the Company's ability to achieve its stated business objective.

BUSINESS OBJECTIVES AND STRATEGIES

The Company is an investment holding company. Its business objective is to maximize its intrinsic value on a per share basis over the long-term by seeking to achieve superior investment performance commensurate with reasonable risk. The Company invests in equity, debt and/or hybrid securities of high-quality businesses (each, a "Portfolio Company" and collectively, the "Portfolio Companies") in furtherance of the Company's business objective with such investment tailored to the specific needs and opportunities of the Portfolio Company.

The Company initially intends to invest in approximately 10 to 15 high-quality small cap public and private businesses located primarily in Canada and, to a lesser extent, the United States. The Company anticipates that approximately 80% of the net proceeds of the Offerings will be allocated towards public entities via the Company's "Public Company Investments" strategy, and the Company commits to invest at least 60% of the net proceeds of the Offerings in public entities. The balance of the funds will be allocated towards private entities via the Company's "Private Company Investments" strategy. Depending on the circumstances of any particular investment opportunity and subject to compliance with applicable law, the Company's investment in a Portfolio Company may range from a minority ownership position to a significant influence position including, in some instances, control.

The Company intends to use its ownership position, once acquired, to support the Portfolio Company's growth and development through active ownership, leveraging its industry experience, business contact network and financial strength. Active ownership is an integral part of the Company's investment strategy and the support extended to Portfolio Companies may be provided by way of board representation, board observer rights, strategic, financial, governance and capital market support, and/or preparing the Portfolio Company for potential corporate transactions. The Company operates with a permanent capital base, which provides the Company with patient, long-term capital, capable of maximizing the power of compounding and enhancing stability, particularly in downturns in the economy when capital is scarce.

Public Company Investments Strategy

Public Company Investments will consist of meaningful and influential stakes in carefully selected companies that have the potential to significantly improve the fundamental value of their business over the long-term. Initially, the Company will invest in small cap companies with a target market capitalization of between \$15 million and \$1.5 billion.

Private Company Investments Strategy

Through the Private Company Investments strategy, the Company will seek to enhance returns and provide Shareholders with a unique opportunity to obtain exposure to high-quality private Canadian businesses with enterprise values in the range of \$15 million to \$250 million. The Company believes there is a large and attractive set of private businesses that the Company is uniquely positioned to capitalize on because of its permanent capital base, flexible holding period and structuring, willingness to participate in significant minority ownership positions, ability to offer the Company's shares to business owners and ability to leverage investment activities in Public Company Investments to enhance returns.

Investment Selection

The Company's investment selection process begins with a robust set of public and private companies. This universe of companies is then reduced into a shortlist of potential investments based on quantitative screens, fundamental analysis and internal expertise, as well as through a network of trusted relationships.

Once shortlisted, the Company's focus is on conducting fundamental research by spending the time necessary to thoroughly investigate a potential investment and gain a deep understanding of the business's operating environment. The Company comprehensively analyzes the prospective Portfolio Company's financial results. Should

the potential investment meet the Company's disciplined investment criteria, the Company will then move forward with an investment, including potentially structuring the transaction to meet the objectives of the Company.

Each of the Company's initial investments in a Portfolio Company will be formally approved by a majority of the Company's internal Investment Committee (the "Investment Committee") prior to committing to such investment and at specified thresholds thereafter. The mandate of the Investment Committee also includes the approval, on a majority basis, of each proposed investment monetization as well as the consideration of other significant events in respect of any Portfolio Company that may reasonably be brought forward by the Company's management for the Investment Committee's review. Such mandate also requires that conflicted members abstain from voting. The Investment Committee reports at least quarterly to the Board on its operations, or more frequently as events warrant.

With respect to fundamental analysis, the Company has established detailed investment criteria to facilitate the evaluation and due diligence of each investment opportunity. These criteria address both the fundamental merit of a potential investment as well as the corresponding risks, and specifically focus on the following:

- management strength including experience, alignment and bench strength;
- top and bottom-line growth opportunities, both organic and inorganic, including the degree of visibility into this growth and the opportunity for re-investment of capital in support of growth opportunities;
- operational execution and the sustainability of the business model including barriers to entry, competitive position and durability of cash flows;
- profitability including margin trajectory, operating leverage, free cash flow conversion, and per share compounding expectations;
- capital intensity including returns on capital, capital expenditure requirements and balance sheet capacity;
- corporate health and risk, including risk assessment and mitigation strategies; and,
- valuation, including a target of 10-15% unlevered internal rate of return.

The Company will invest in high-quality businesses, or those that have the potential to be high-quality businesses, and, as such, will generally avoid unproven and speculative business models.

Investment Restrictions

Each of the Company's portfolio investments is subject to a concentration restriction that prohibits the Company from making an investment if, after giving effect to such investment, such investment would exceed 20% of its total assets on such date; provided, however, that the Company will nonetheless be permitted to complete up to two portfolio investments where, after giving effect to each such investment, the total amount of each such investment would be equal to no more than 25% of its total assets on such date ("Investment Concentration Restriction"). While the Company currently intends to make between 10 and 15 investments in accordance with its business objective, it will invest the net proceeds of the Offerings in a minimum of six different investments (the "Minimum Investment Restriction"). Further, the Company will invest at least 75% of the net proceeds of the Offerings on or before November 21, 2022, except where the Board determines, acting reasonably and in good faith, that satisfying such commitment would result in a breach of the Board's fiduciary duties under applicable corporate law. Pending deployment into investment Portfolio Companies, the Company will invest at least 90% of the net proceeds of the Offerings in liquid and low risk securities.

Update on Investment Activity

Since completing the Offerings, the Company has been working diligently to refine its potential investment pipeline and has reviewed approximately 100 potential investee companies. It has narrowed its focus to a handful of possible targets, including both public and private companies. The Company continues to review its near-term investment opportunities and anticipates continuing to deploy capital throughout 2020. In taking a thorough and patient approach to investing, however, the Company expects that the diligence process in reviewing and structuring potential investments will take time.

In the first quarter of 2020, the Company commenced deploying capital into a number of public investments, in accordance with its business objective and investment strategies, and has invested approximately 17% of its total cash resources. The Company continues to evaluate additional investment opportunities, and is committed to its rigorous diligence process with a focus on high-quality, durable companies.

In addition to the information contained in this MD&A, and the risk factors discussed below under "Risks and Uncertainties", investors or security holders should carefully consider the risk factors which may have a material adverse effect on the business, financial condition or results of operations of the Company.

SELECT ANNUAL INFORMATION

Table 1: Statement of Financial Position Highlights

Year Ended (\$ thousands)	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017
Current assets	188,733.4	5,155.0	4,033.0
Current liabilities	1,974.4	649.9	2,509.0
Working capital	186,759.0	4,505.1	1,524.0
Total assets	188,749.3	5,155.0	4,133.0
Total liabilities	1,974.4	649.9	2,509.0
Shareholders' equity	186,774.9	4,505.1	1,624.0
Book value per share	\$ 4.34	\$ 5.64	\$ 3.25

Table 2: Statement of Comprehensive Income Highlights

Year Ended (\$ thousands)	Dec. 31 2019	Dec. 31 2018	Dec. 31 2017
Total revenue	544.4	(47.0)	(376.8)
Total expenses	2,761.4	705.1	931.5
Loss before taxes	(2,217.0)	(752.1)	(1,308.3)
Income tax (recovery) expense	(235.1)	366.9	(148.9)
Net loss and comprehensive loss	(1,981.8)	(1,118.9)	(1,159.4)
Loss per share - Basic and diluted	\$ (0.37)	\$ (2.19)	\$ (2.32)

RESULTS OF OPERATIONS

Year Ended December 31, 2019

For the year ended December 31, 2019, the Company had revenue of \$544.4 thousand compared to negative revenue of \$47.0 thousand for the year ended December 31, 2018. The current period's revenue consisted entirely of interest income whereas in the comparative period the Company incurred losses from its securities trading activities, which resulted in negative revenue.

For the year ended December 31, 2019, the Company incurred expenses of \$2.76 million as compared to \$705.1 thousand in 2018. The increase in total expenses is primarily due to the Company incurring expenses to support its operations as an investment holding company and in regards to the Offerings which were completed during the year. Expenses in the period include the following: compensation expenses of \$1.10 million; professional fees (comprised of legal and audit fees) of \$547.4 thousand; office, general and administrative expenses of \$402.0 thousand; director fees of \$300.8 thousand; filing and listing fees of \$294.0 thousand; consulting fees of \$110.3 thousand; and depreciation expenses of \$5.0 thousand.

For the year ended December 31, 2019, the Company had an income tax recovery of \$235.1 thousand, related to the resolution of a prior period tax matter, as compared to an income tax expense of \$366.9 thousand in 2018.

Net loss for the year ended December 31, 2019 was \$1.98 million or (\$0.37) per common share, compared to a net loss of \$1.12 million or (\$2.19) per common share for the year ended December 31, 2018.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly results of the Company for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the interim financial statements of the Company for each of the aforementioned eight quarters. The weighted average number of outstanding common shares used in the earnings per share calculations for all periods presented reflect the 5:1 share consolidation of the Company's issued and outstanding multiple voting shares and subordinate voting shares which became effective on November 20, 2019 and the 3.7:1 share consolidation of the Company's issued and outstanding multiple voting shares and subordinate voting shares which became effective on December 17, 2018. The multiple voting shares and the subordinate voting shares are both classes of common shares of the Company.

Table 3: Summary of Quarterly Results

	2019 Dec 31	2019 Sept 30	2019 Jun 30	2019 Mar 31	2018 Dec 31	2018 Sept 30	2018 Jun 30	2018 Mar 31
(\$ thousands)								
Total revenue	484.7	17.6	21.0	21.1	8.2	2.8	0.5	(58.5)
Total expenses	1,109.5	625.6	755.0	271.3	476.8	138.5	57.1	32.7
Loss before taxes	(624.8)	(608.0)	(734.0)	(250.2)	(468.7)	(135.6)	(56.6)	(91.2)
Income tax (recovery) expense	-	-	(41.8)	(193.3)	366.9	-	-	-
Net loss and comprehensive loss	(624.8)	(608.0)	(692.1)	(56.9)	(835.5)	(135.6)	(56.6)	(91.2)
(\$)								
Net loss per common share								
Basic	(0.03)	(0.76)	(0.87)	(0.07)	(1.53)	(0.27)	(0.11)	(0.18)
Diluted	(0.03)	(0.76)	(0.87)	(0.07)	(1.53)	(0.27)	(0.11)	(0.18)

QUARTERLY TREND ANALYSIS

The increase in the Company's quarterly revenue in the quarter ended December 31, 2019 is attributed to the net proceeds raised on November 21, 2019 in connection with the Offerings. The Company earned interest revenue on the net proceeds from that date until the end of the quarter. The negative revenue in the quarter ended March 31, 2018 was attributed to the Company's securities trading activities which it discontinued in that quarter. Interest revenue was the Company's only source of revenue in subsequent quarters.

The Company's quarterly expenses have fluctuated substantially. Commencing in the quarter ended September 30, 2018, the Company began incurring expenses related to its change of business from a mineral resource exploration company to an investment holding company. In the quarter ended June 30, 2019, the Company commenced incurring compensation expenses as it hired two investment management professionals to support its operations as an investment holding company. In the quarter ended December 31, 2019, the Company's expenses include costs related to the Offerings which were not charged to equity.

In the quarters ended June 30, 2019 and March 31, 2019, the Company recorded income tax recoveries of \$41.8 thousand and \$193.3 thousand, respectively, as compared to an income tax expense of \$366.9 thousand in the quarter ended December 31, 2018.

FOURTH QUARTER ENDED DECEMBER 31, 2019

Net loss before taxes for the quarter ended December 31, 2019 was \$624.8 thousand, compared to a net loss before taxes in the quarter ended December 31, 2018 of \$468.7 thousand. The increase in net loss before taxes is primarily due to higher compensation expenses, director fees, consulting fees and office, general and administrative expenses incurred in the current period as compared to the same quarter last year. The higher expenses in the current quarter are primarily a result of the Company hiring two investment management professionals in the second quarter of 2019 and costs incurred related to the Offerings which were not charged to equity. The Company recorded an income tax expense of \$366.9 thousand in the quarter ended December 31, 2018 as compared to a \$nil expense in the current quarter. Net loss for the quarter ended December 31, 2019 was \$624.8 thousand or (\$0.03) per common share, compared to a net loss of \$835.5 thousand or (\$1.53) per common share for the quarter ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a cash balance of \$188.0 million at December 31, 2019 compared with \$5.14 million at December 31, 2018. Working capital totalled \$186.8 million at December 31, 2019 compared with \$4.51 million at December 31, 2018.

The Company's equity was \$186.8 million as at December 31, 2019, compared to \$4.51 million as at December 31, 2018. Current liabilities increased to \$1.97 million at December 31, 2019 from \$649.9 thousand at December 31, 2018.

The increase in the Company's cash, working capital and equity balances at December 31, 2019 compared to December 31, 2018 is attributed to the net proceeds raised in connection with the Offerings.

On November 21, 2019, the Company closed the Offering for aggregate gross proceeds of \$70.0 million. The net proceeds, after deducting share issue expenses, were \$65.5 million, of which \$60.7 million was allocated to the subordinate voting shares and \$4.80 million was allocated to the Founder Warrants.

Also on November 21, 2019, the Company closed the Substantial Equity Investment for gross proceeds of \$120.0 million. The net proceeds, after deducting share issue expenses, were \$118.8 million.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements and to execute on its Public Company and Private Company Investment strategies. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity and capital resources will be substantially determined by the success or failure of its new venture as an investment holding company.

Capital Reorganization

On June 27, 2019, at the annual general and special meeting of shareholders, a special resolution was passed which authorized the Company to implement a capital reorganization. A capital reorganization is an accounting transaction used by a company to reduce its accumulated deficit by recording a corresponding reduction in its share capital and contributed surplus accounts. The Company implemented the capital reorganization because its accumulated deficit was primarily due to the Company's former business as a mineral resource exploration company and was not reflective of the new business of the Company as an investment holding company.

The capital reorganization resulted in the reduction of the accumulated deficit of the Company by \$8.86 million, the reduction of the stated capital account of the subordinate voting shares by \$8.37 million, the reduction of the stated capital account of the multiple voting shares by \$70.1 thousand, and the reduction of the contributed surplus account of the subordinate voting shares by \$417.8 thousand.

Book Value per Share

Book value per share is calculated as common shareholders' equity divided by the total number of common shares of the Company outstanding on that date. Common shareholders' equity at December 31, 2019 was \$186.8 million (2018 - \$4.51 million). The book value per share at December 31, 2019 was \$4.34 (2018 - \$5.64 per share), primarily reflecting the net proceeds received from the Offerings.

TRANSACTIONS WITH RELATED PARTIES

All transactions with related parties have occurred in the normal course of operations, as follows:

- On November 21, 2019, the Company and Federated Capital Corp. ("Federated Capital"), a related party of Fax Investments, entered into an agreement (the "Administrative Services Agreement") whereby the Company is granted access to certain office space and supplies, computers, communication equipment and administrative personnel provided by Federated Capital. As consideration for such services (including the use of office space), the Company has agreed to pay Federated Capital a fee equal to the costs and expenses of Federated Capital in providing such services and office space, plus 5%. Federated Capital did not charge the Company any expenses under the Administrative Services Agreement in 2019.
- On November 21, 2019, Fax Investments, Federated Capital and Company entered into a letter agreement to govern the allocation of business opportunities between the parties in respect of certain investment opportunities and monetization events (the "Letter Agreement"). Within the markets described in the Company's business objectives and investment strategies, neither Fax Investments nor Federated Capital will compete with the Company except as permitted by the Letter Agreement and Fax Investments and Federated Capital have agreed to present to the Company for consideration, any investment opportunity which may reasonably be determined to fit within the Company's business objective and investment strategies.

- On November 21, 2019, the Company closed the Substantial Equity Investment by Fax Investments, on a private placement basis, of 26,671,110 multiple voting shares of the Company at a subscription price per share equal to the Offering Price for an aggregate amount of \$120.0 million.

Prior to the completion of the Substantial Equity Investment, Fax Investments, had direct or indirect ownership of, or control over, 300,301 multiple voting shares, representing 100% of the issued and outstanding multiple voting shares and 299,247 subordinate voting shares in the capital of the Company, representing approximately 59.95% of the issued and outstanding subordinate voting shares. Following the completion of the Offerings, Fax Investments had direct or indirect ownership of or control over 26,971,411 multiple voting shares, representing 100% of the voting rights attached to the multiple voting shares and 299,247 subordinate voting shares, representing 1.86% of the voting rights attached to the subordinate voting shares, which represents in aggregate approximately 94.5% of the voting rights attached to the Company's issued and outstanding shares.

- Fax Investments has agreed to pay all expenses, excluding agents' commissions, incurred by the Company in connection with the Offerings in excess of 1.5% of the gross proceeds of the Offerings. As a result of this commitment, Fax Investments will reimburse the Company \$268.2 thousand of excess expenses. This amount is included in accounts and other receivables in the Consolidated Statements of Financial Position as at December 31, 2019.
- Fax Investments has agreed to pay at the end of each fiscal year of the Company (pro rated for the period from November 21, 2019, the closing date of the Offerings to December 31, 2019), certain specified operating expenses of the Company exceeding 2.85% of the Company's average month-end book value for such fiscal year until December 31, 2024. The Company's specified operating expenses were below this threshold in 2019 and, accordingly, Fax Investments was not required to reimburse the Company for excess operating expenses in 2019.

Key Management Personnel

Key management personnel are defined as those individuals having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company considers its executive officers and its directors to be its key management personnel. In 2019, given the Company's early stage of development, the Company's executive officers' compensation was not charged to the Company.

Compensation paid to key management personnel for the year ended December 31, 2019 was \$300.8 thousand (2018 - \$82.2 thousand). These expenditures were allocated as follows in the consolidated financial statements:

Table 4: Key Management Personnel

	Dec. 31	Dec. 31
(\$ thousands)	2019	2018
Director fees	\$ 300.8	\$ 68.7
Compensation (Refer to Transactions with Related Parties)	-	13.4
	\$ 300.8	\$ 82.2

RISKS AND UNCERTAINTIES

Set out in this section below are certain material risk factors relating to the investment business being carried on by the Company. As the Company proceeds to develop and carry out its business plans, it will be necessary to continually monitor, re-evaluate, and manage such risks.

Investors should carefully consider, among other things, the risk factors set forth below. While the risks and uncertainties that management of the Company believe to be material to the Company's business are described below, it is possible that other risks and uncertainties affecting the Company's business will arise or become material in the future. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with Company's operations. Additional information about the risks of the Company's business is provided in its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

If the Company is unable to address these and other potential risks and uncertainties, its business, financial condition or results of operations could be materially and adversely affected. In this event, the value of its securities could decline and an investor could lose all or part of their investment.

The following is a description of the principal risk factors that may affect the Company.

Risk Factors Relating to an Investment Holding Company

Reliance on the Performance of Underlying Assets

The Company does not and will not have any operations, activities, or other active businesses other than the acquisition, retention and management of its investments. Accordingly, although the Company generally intends to take an active role in overseeing and monitoring its investments, factors unique to its Portfolio Companies such as changes in operating performance, profitability, financial position, creditworthiness, management, strategic direction, achievement of goals, mergers, acquisitions, divestitures, or distribution policies may affect the value of the Company's investments, and in turn, the overall performance of the Company. In addition, a decline in the state of the capital markets, changes in law and/or other events, could have a negative effect on the value of the Company's investments and the Company.

Changes that negatively impact the Company's portfolio investments could adversely affect the Company's ability to sell its investments for a capital gain or to otherwise earn revenue.

Key Employees

The Company is substantially dependent on the services of a limited number of individuals including its directors, executive officers and managing directors at the Company, and in particular, the major investment and capital allocation decisions they provide. If, for any reason, the Company is not able to obtain the service of key employees or the services of the Company's key employees are to become unavailable, there could be a material adverse effect on the Company's operations.

The Company is dependent on its ability to retain the services of existing key personnel and to attract and retain additional qualified and competent personnel in the future. The Company's inability to recruit and retain qualified and competent managers could impair the ability of the Company to perform its management and administrative duties.

Potential Lack of Investment Diversification

Other than the Investment Concentration Restriction contained within the Company's Voluntary Measures By-Law, the Company does not have any specific limits on the holdings in securities of issuers, or in any one industry or size

of issuer. Additionally, the Company intends to primarily focus on companies located in Canada, although investments may extend to the United States. Accordingly, the securities in which the Company invests may not be diversified across many sectors and will be concentrated in specific regions or countries, such as Canada. The Company may also have a significant portion of investments in the securities of a single issuer.

A relatively high concentration of assets could result in a portfolio that may be more vulnerable to fluctuations in value resulting from adverse conditions that may affect the economy, a particular industry, or a segment of issuers than would otherwise be the case if the Company were required to maintain wide diversification. Consequently, significant declines in the fair value of the Company's larger investments will produce a material decline in the Company's reported earnings.

Trading Price of the Subordinate Voting Shares and the Founder Warrants Relative to Book Value

The Company cannot predict whether the subordinate voting shares and/or the Founder Warrants will trade at a discount from, a premium to, or at the book value. As a result, the return experienced by an investor may differ from the underlying financial performance of the Company's holdings.

The market price of the subordinate voting shares and/or the Founder Warrants at any given point may not accurately reflect the Company's long-term value. The market price of the subordinate voting shares and the Founder Warrants will be determined by, among other things, the relative demand and supply of the subordinate voting shares and the Founder Warrants in the market, the Company's investment performance and investor perception of the Company's overall attractiveness as an investment as compared with other investment alternatives.

The market price of the subordinate voting shares and the Founder Warrants will likely be affected by other factors outside of the control of the management of the Company, including but not limited to, global macroeconomic developments, and market perceptions and expectations regarding the attractiveness of various economies, industries or corporations in which the Company invests.

Significant Ownership by Fax Investments May Adversely Affect the Market Price of the Subordinate Voting Shares

Fax Investments, a corporation wholly-owned by Federated Capital, currently holds shares representing 94.5% of the voting rights attached to all of the Company's outstanding voting securities and 63.4% of the equity of the Company, prior to the exercise of the Founder Warrants. In addition, Blair Driscoll, a director and the Chief Executive Officer of the Company, is the President and Chief Executive Officer of Fax Investments.

Accordingly, Federated Capital and Blair Driscoll may have the ability to substantially influence certain actions requiring shareholder approval, including (as applicable) approving a business combination or consolidation, liquidation or sale of assets, electing members of the Board, and adopting amendments to the articles of incorporation and by-laws of the Company.

As a result, the subordinate voting shares and the Founder Warrants may be less liquid and trade at a relative discount compared to such subordinate voting shares and Founder Warrants in circumstances where Fax Investments did not have the ability to significantly influence or determine matters affecting the Company. Additionally, Fax Investments' significant voting interest in the Company may discourage transactions involving a change of control of the Company, including transactions in which an investor, as a holder of subordinate voting shares and/or Founder Warrants, might otherwise receive a premium for its subordinate voting shares and/or Founder Warrants over the then-current market price.

Risk Factors Relating to Portfolio Investments

Investments in Private Issuers

The Company may, from time to time, invest in the securities of a private issuer. Issuers whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements that would be applicable if their securities were publicly traded. The Company must, therefore, rely on its management team to obtain the information necessary to make an informed investment decision.

The valuations ascribed to such private securities within the Company's portfolio will be measured at fair value in accordance with IFRS, and the resulting values may differ from values that would have otherwise been used had a ready market existed for the investment. The valuation process for these private securities is not based on publicly available prices and is, to a degree, subjective in nature. These valuations will be reflected in the book value of the equity securities of the Company.

Illiquid Assets

In accordance with the Company's business objective and investment strategies, the Company will invest in securities of small cap companies and private issuers that are either thinly traded or have no market at all. It is possible that the Company may not be able to sell portions of such positions without facing substantially adverse prices, or may be required to sell such securities before their intended investment horizon, which could negatively impact the performance of investments and the Company's financial condition, profitability and cash flows.

Financial Market Fluctuations and Deterioration of Political Conditions

In accordance with the Company's business objective and investment strategies, the Company will invest in both private businesses and publicly traded businesses. With respect to publicly traded businesses, fluctuations in the market price of such securities may negatively affect the value of such investments. In addition, general instability in the public debt market and other securities markets may impede the ability of businesses to refinance their debt through selling new securities, thereby limiting the Company's investment options with respect to a particular portfolio investment.

To the extent that the economy deteriorates for an extended period of time, one or more of the Company's investments could be materially harmed. In addition, the Company's investments may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outcome of the United Kingdom's decision to leave the European Union (commonly referred to as "Brexit"), the recent outbreaks of the novel coronavirus (COVID-19), political and civil unrest in Hong Kong, the trade war between China and the United States, falling or volatile oil prices and related international tensions, and the eventual impact of the new United States-Mexico-Canada Agreement may create further uncertainty and risk with respect to the prospects of the Company's investments or potential investments.

Global capital markets have also recently experienced extreme volatility which may, in conjunction with the factors set out above and despite the actions of government authorities, contribute to a worsening of general economic conditions including, high levels of unemployment in Canada and other economies, the unavailability of credit or the devaluation of currencies.

Unexpected changes in these factors and financial market and economic conditions could negatively impair the Company's financial condition, profitability and cash flows, and may also have a negative effect on the valuation of, and the ability of the Company to exit or partially divest from, investment positions.

Depending on market conditions, the Company may incur substantial realized and unrealized losses in future periods, all of which may materially adversely affect its results of operations and the value of any investment in the Company.

Foreign Security Risk

The Company's investment portfolio may include issuers, domestic or otherwise, with multinational organizations and who have significant foreign business and foreign currency risk. The value of these securities may be influenced by foreign government policies, lack of information about foreign corporations, political or social instability and the possible levy of foreign withholding tax.

Competition and Technology Risks

The Company may hold investments in the securities of businesses that face intense competitive pressures within the markets in which they operate. Many factors, including market and technological changes, may erode the competitive advantages of the businesses in which the Company invests. Accordingly, the Company's future operating results will depend, to a degree, on whether or not those businesses are successful in protecting or enhancing their competitive positioning.

Credit Risk

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. The Company may be subject to credit risk on its financial assets, including loans receivable and corporate debt investments, such as bonds.

Tax Risks

There can be no assurances that the tax laws applicable to the Company under the *Income Tax Act* (Canada) or under foreign tax regimes will not be changed in a manner which could adversely affect the Company's operating results or profitability.

Regulatory Changes

Certain industries, such as financial services, health care, and telecommunications, remain heavily regulated and may be more susceptible to an acceleration in regulatory initiatives in Canada and abroad. Investments in these sectors may be substantially affected by changes in government policy, and the Company cannot predict whether or not such changes will have a material adverse impact on the Company's investments or profitability.

CRITICAL ACCOUNTING ESTIMATES

Preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the 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. Uncertainty about these judgments, estimates, and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are as follows:

Amount of Accrued Liabilities

Accrued liabilities are recorded based on an estimate of unbilled work performed by the Company's vendors as well as any other payments which the Company will be required to make in relation to the current year's operations. Management makes these estimates based on historical billings and its knowledge of current operations. These estimates will affect the reported amounts of accrued liabilities and expenses.

Income Taxes

Income taxes relating to uncertain tax positions are recognized based on the expected value of the tax settlement with the related tax authority. Judgment is required to determine the amount of tax provision relating to these uncertain tax positions.

Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Founder Warrants

The Company uses the Black-Scholes model to calculate the value of Founder Warrants issued as part of the Offering. The Black-Scholes model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at rate of issuance, expected yield, expected life and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. Proceeds from the Offering, net of issuance costs, were allocated between subordinate voting shares and Founder Warrants issued according to their relative fair value.

CHANGES IN ACCOUNTING POLICIES**IFRS 16 Leases (IFRS 16)**

On January 1, 2019, the Company adopted IFRS 16 Leases. IFRS 16, which replaced IAS 17 Leases, was issued in January 2016 to improve the accounting for leases, generally by eliminating a lessees' classification of leases and introducing a single lessee accounting model. The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position. Leases with durations of 12 months or less and leases for low value assets are both exempted. The measurement of the total lease expense over the term of a lease is unaffected by the new standard. However, the new standard results in the timing of lease expense recognition being accelerated for leases which were formerly accounted for as operating leases. The presentation on the statement of comprehensive loss required by the new standard results in most lease expenses being presented as amortization of lease assets and financing costs arising from lease liabilities rather than as being a part of goods and services purchased. The adoption of this standard did not have a significant impact on the Company's financial position or results of operations.

FINANCIAL RISK MANAGEMENT**Credit Risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfil its payment obligations. The Company's maximum exposure to credit risk was \$627.9 thousand as of December 31, 2019 (2018 - \$11.5 thousand), being the

value of its interest receivable and a receivable from a related party. Management believes these receivables are a low credit risk. As of December 31, 2018, the Company's exposure to credit risk consisted of its interest receivable and income taxes recoverable from the Government of Canada. There have been no changes to the Company's methods for managing credit risk during the year.

Liquidity Risk

Liquidity risk is the risk that the Company will have sufficient cash resources to meet its financial obligations as they come due. Although the Company did not generate cash flows from its principal operations, its liquidity position was significantly enhanced because of the Offerings. The Company relied on its cash balance to pay its liabilities. Management ensures it maintains sufficient cash on hand for continued operations.

There have been no changes to management's methods for managing liquidity risk since December 31, 2018. The Company had working capital of \$186.8 million as of December 31, 2019 (2018 - \$4.51 million) and in management's judgment, the Company has sufficient working capital to continue to fund its operations and to pay its liabilities for the next fiscal year.

The following is a maturity analysis of financial liabilities based on their contractual maturities:

Table 5: Maturity Analysis of Financial Liabilities

(\$ thousands)	Payments due by period			Total
	Less than 1 year	1 - 3 years	4 - 5 years	
December 31, 2019				
Accounts payable and accrued liabilities	\$ 1,974.4	\$ -	\$ -	\$ 1,974.4
	\$ 1,974.4	\$ -	\$ -	\$ 1,974.4
December 31, 2018				
Accounts payable and accrued liabilities	\$ 283.0	\$ -	\$ -	\$ 283.0
	\$ 283.0	\$ -	\$ -	\$ 283.0

The following is a liquidity analysis of the Company's financial assets:

Table 6: Liquidity Analysis of Financial Assets

(\$ thousands)	Liquidity by period			Total
	Less than 1 year	More than 1 year	Non-liquid	
December 31, 2019				
Cash	\$ 187,991.7	\$ -	\$ -	\$ 187,991.7
Accounts and other receivables	627.9	-	-	627.9
	\$ 188,619.6	\$ -	\$ -	\$ 188,619.6
December 31, 2018				
Cash	\$ 5,138.7	\$ -	\$ -	\$ 5,138.7
Accounts and other receivables	11.5	-	-	11.5
	\$ 5,150.2	\$ -	\$ -	\$ 5,150.2

Market Risk

Market risk is comprised of equity price risk, foreign currency risk and interest rate risk. The Company's exposure to these risks is described below.

Equity Price Risk

Equity price 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 stock market prices. The Company is currently not exposed to equity price risk as it does not have an investment portfolio. There have been no changes in management's strategies to mitigate equity price risk for the year ended December 31, 2019.

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in the rates of exchange on foreign currency would impact the Company's future cash flows. The Company has minimal exposure to foreign exchange fluctuations as it only has an immaterial amount of cash held in a United States ("US") dollar bank account. The Company has no other assets or liabilities denominated in US dollars. There have been no changes in management's foreign currency risk management strategies for the year ended December 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents. The fair value of the Company's cash and cash equivalents affected by changes of interest rates is minimal. There have been no changes to management's strategies to mitigate interest rate risk for the year ended December 31, 2019.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that (a) material information relating to the Company is made known to the Chief Executive Officer and the Chief Financial Officer by others, particularly during the period in which the annual filings are being prepared, and (b) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Based on their evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that as of December 31, 2019, the company's disclosure controls and procedures were effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting.

All internal control systems have inherent limitations and may become inadequate because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has evaluated the effectiveness of the Company's internal control over financial reporting based on the Internal Control - Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring

Organizations of the Treadway Commission. Based on their evaluations as of December 31, 2019, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2019, the Company's internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the fourth quarter of 2019, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OUTSTANDING SHARE DATA

The Company's issued and outstanding capital as at December 31, 2019 consisted of 26,971,411 multiple voting shares, 16,059,171 subordinate voting shares and 15,560,000 Founder Warrants. The Company's issued and outstanding capital as at March 23, 2020 consisted of 26,971,411 multiple voting shares, 16,059,671 subordinate voting shares and 15,559,500 Founder Warrants. The Company did not have any stock options outstanding as at December 31, 2019 nor did it have any outstanding as at March 23, 2020.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Company, which are based on the opinions, estimates and/or assumptions about future economic conditions and courses of action and other factors which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to: the Company's investment approach, objectives and strategy, including investment selection; the structuring of its investments and its plans to manage its investments; and the Company's financial performance.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: reliance on the performance of underlying assets; key employees; potential lack of investment diversification; trading price of the subordinate voting shares and Founder Warrants relative to book value; significant ownership by Fax Investments may adversely affect the market price of the subordinate voting shares; investments in private issuers; illiquid assets; financial market fluctuations and deterioration of political conditions; foreign security risk; competition and technology risks; credit risk; tax risks; regulatory changes; and other risks and factors referenced in this MD&A including under "Risk and Uncertainties". Additional risks and uncertainties are described in the Company's annual information form which is available on SEDAR at www.sedar.com and on the Company's website at www.faxcapitalcorp.com.

Although the Company has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this

MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. The Company does not undertake to update any forward-looking information contained herein, except as required by applicable securities laws.

CORPORATE INFORMATION

Directors of the Company

John F. Driscoll
Chairman

Blair Driscoll
Chief Executive Officer

Paul Gibbons
Chair of the Audit Committee

Edward Jackson
Chair of the Governance, Compensation
and Nominating Committee

Frank Potter
Lead Director

Auditor

Deloitte LLP

Transfer Agent and Registrars

Computershare Trust Company of Canada, Toronto

Share Listing

The Company's Subordinate Voting Shares and Founder Warrants trade on the Toronto Stock Exchange under the symbols "FXC" and "FXC.WT", respectively.

Officers of the Company

Blair Driscoll
Chief Executive Officer

Ryan Caughey
General Counsel and Corporate Secretary

Nickolas Lim
Managing Director

Edward Merchand
Chief Financial Officer

Marc Robinson
Managing Director

Head Office

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