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

($ thousands)	**Dec. 31 2019**	Dec. 31 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

	Payments due by period			
($ thousands)	**Less than 1 year**	**1 - 3 years**	**4 - 5 years**	**Total**
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

	Liquidity by period			
($ thousands)	**Less than 1 year**	**More than 1 year**	**Non-liquid**	**Total**
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.