

2020
ANNUAL REPORT

FAX

CAPITAL



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2020 ANNUAL REPORT

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OVERVIEW



Investment company focused on significant minority or majority ownership positions in high-quality public and private companies.

**Attractive Opportunity
in Small Cap Canadian
Companies**



COMPETITIVE ADVANTAGE

Investment Approach

- Long-term view
- Active ownership
- Flexible mandate

Structure

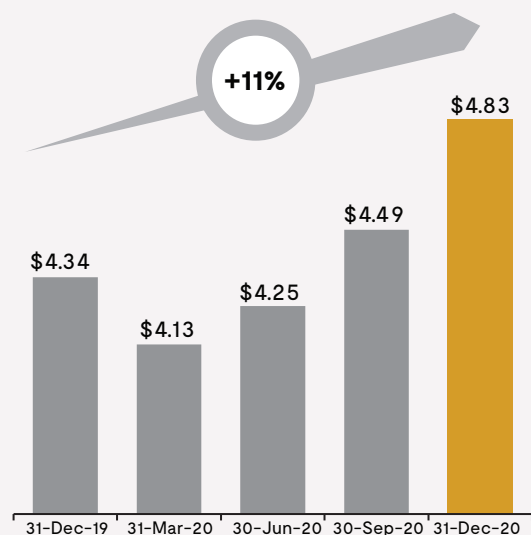
- Permanent capital
- Public currency
- Internally managed

Management Team

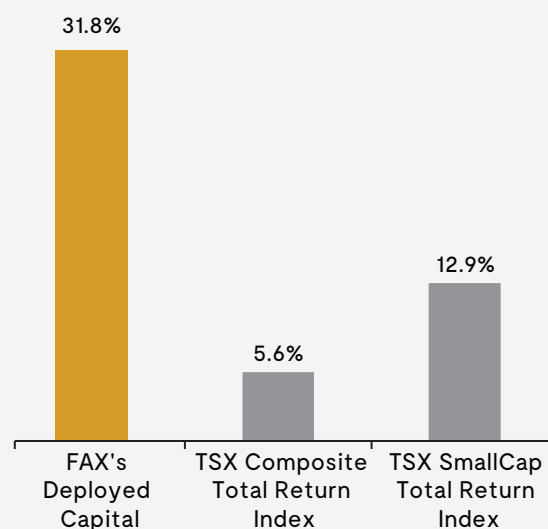
- Supportive shareholder
- Proven investment team
- Alignment of interests

PERFORMANCE

BOOK VALUE PER SHARE (BVPS)



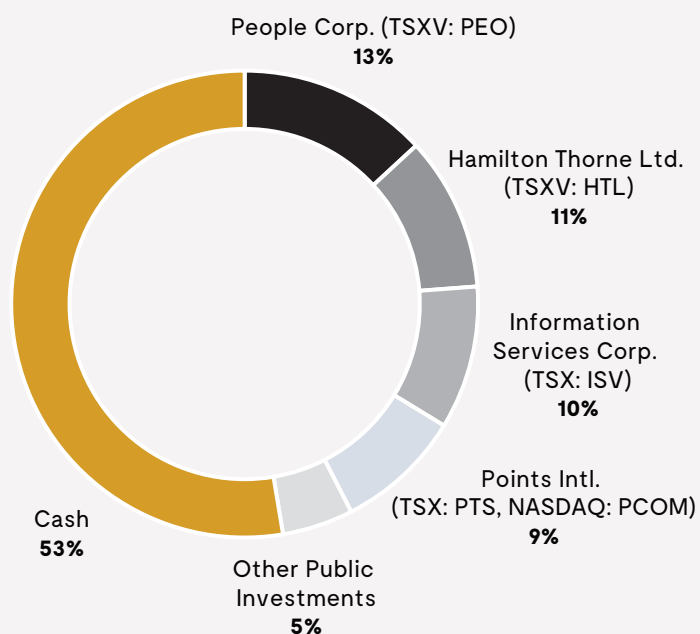
2020 RETURN



INVESTMENTS

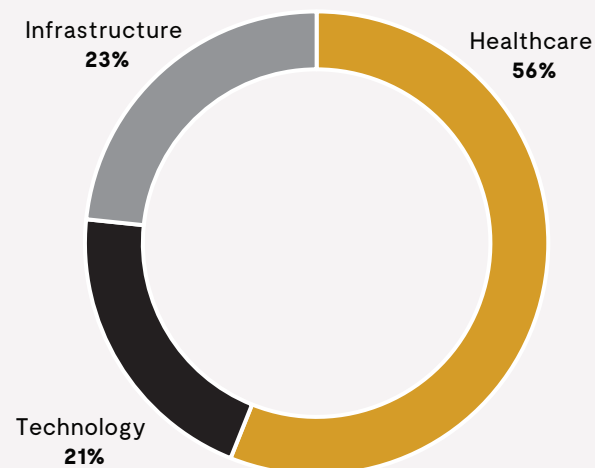
As at December 31, 2020

INVESTMENTS FAIR VALUE



INDUSTRY BREAKDOWN

(of deployed capital in disclosed investments)



Note: Numbers do not add to 100 due to rounding

DEAR VALUED SHAREHOLDER,

Investors have experienced a gamut of emotions over the last year. On the one hand, the swift but severe recession and subsequent stock market plunge terrified us. On the other, the incredible v-shaped recovery has made us uneasy and question the sustainability of current asset prices. As we search for answers, Wall Street pundits work endlessly to promote a narrative around every gyration in the market to make it seem more predictable than it really is. Perceived clarity about the future is a misconception and we as market participants must accept this. Sometimes it is best to simply shut out all the noise, think for yourself, trust your process, and make peace with the uncertainty.

I want to thank our patient shareholders for sticking with us through an historic and volatile year. Our equity value on a per share basis grew to \$4.83, an increase of 11.3 per cent from the prior year driven by a commendable 31.8 per cent return on our deployed capital. As we look forward, we will continue to execute on our business objective and deploy our cash balance in a disciplined manner, consistent with the foundational principles in which this business was built. Good things come to those who wait, and we will work tirelessly to execute on our shared vision to build a preeminent Canadian investment company that we as shareholders can be proud of.

Causality Is Overrated

The events over the course of 2020 have been nothing short of extraordinary. The world was shaken by the exogenous shock of COVID-19 which rapidly escalated into a global pandemic and pushed economic activity to unimaginable lows. In the second quarter, the U.S. experienced its worst drop in real GDP in over 70 years, declining at an annualized rate of 32.9 per cent¹. Yet, the sustained economic impact of the pandemic was broadly overestimated. Fears of a systemic meltdown went unfulfilled, cyclical stresses quickly turned to resilience, and the recovery was far stronger and came much sooner than expected. In the very next quarter, the U.S. economy experienced its biggest GDP gain in history, increasing at an annualized rate of 33.4 per cent.¹

The stock market experienced similar extremes. After hitting an all-time high on February 19, 2020, the S&P 500 plummeted over 35 per cent to its intraday low on March 23, 2020, only to launch over 70 per cent from those lows to quickly end the shortest bear market in US history. The index finished the year up 16.3 per cent.²

This cycle's idiosyncrasies have many people speculating about what drove the gap between expectations and reality – and whether this gap will continue. The sharp rebound in risky assets amidst a fragile economic backdrop has raised concerns of whether bubbles have formed, or whether the strength of the markets can be explained by rapidly changing fundamentals as the vaccine rollout accelerates.³

Whether or not the market is at a critical juncture remains to be seen. But what should be clear – especially in a year like 2020 – is that nobody knows. Pundits and strategists may have interesting observations about the market and economy, but in terms of predicting the future, these so-called experts are usually clueless. Look at 2020 as an example: in December 2019, the median Wall Street forecast was for the S&P 500 to increase 2.7 per cent in 2020, a forecast error of 13.6 points (recall the S&P 500 was up 16.3 per cent for the year). Allowing forecasters to consider the impacts from COVID-19 did not improve accuracy either. By April, the median forecast was for the market to decline 11 per cent for the year, a forecast error of a staggering 27 points.⁴

¹ Oaktree Capital, Mar. 4, 2021, Memo: "2020 in Review"

² Data taken from Stockcharts.com

³ The Economist, Dec. 16, 2020, "What explains investors' enthusiasm for risky assets?"

⁴ New York Times, Dec. 18, 2020, "Clueless About 2020, Wall Street Forecasters Are At It Again For 2021"

This is not an anomaly because of the pandemic. Inaccurate predictions by market strategists are the norm. A study conducted by the Bespoke Investment Group concluded that, over the last 20 years (December 1999 to December 2019), the delta between the median Wall Street market forecast and the actual one-year market return was 4.3 points, which equates to a 45 per cent error.⁵ I may not be a statistician, but with a forecast error as large as this, it is fair to conclude that the accuracy of most any market prediction is the result of pure luck.

If there is one thing that we are absolutely confident in at FAX, it is our inability to predict the future. Therefore, we leave the market speculation and macro forecasts to others. It is a distraction, and our time is better spent on understanding the businesses in which we invest. As part of our investment process, we painstakingly diligence each investment opportunity, taking the necessary time to recognize a company's potential and to assess the general direction of the business and the industry in which it operates. However, even the most rigorous diligence does not eliminate all the risks of buying a business (or a portion of a business). But focusing on our understanding of an asset's intrinsic value – rather than the market's current view of that value – puts the odds in our favour to be successful over the long term.

The distinction between an asset's worth versus the market quoted price is an important consideration for any long-term investor. While the markets are a discounting mechanism, which constantly adjust in real time to new information and changing expectations, market mood and behaviour can be as important to price as fundamentals in the short term. Today's market, which exhibits pockets of froth and frenzy, is a great example of behavioural finance where investor perception, rather than changes in apparent fundamentals, have driven prices of certain assets to dizzying heights. The persistent march higher in the markets has pundits anxiously hunting for cause and effect, perpetuating an incessant belief that there are clear and identifiable reasons as to why the markets are moving the way they are.

But there is never a single reason to explain market movement. Financial markets are complex adaptive systems, meaning that the movements observed in the markets fall somewhere between the domains of order and randomness. They are constantly evolving and never in equilibrium. Yet there remains an intensified demand from Wall Street, the media, and investors at large to protect the perceived orderliness in markets and to search for patterns that can convey meaning rather than randomness. And while security pricing is not merely random, there is a web of complicated and interrelated effects impacting a very large number of market participants each of whom have their own ever-adapting views, investment horizons, and decision-making processes.

The culture we have instilled at FAX has been predicated on the belief that you do not always need to pinpoint the cause of some market reaction. Causality is overrated. We take comfort in the fact that, while short-term movements in the stock market may be unknown, patterns manifest themselves over long periods of time driven by fundamentals. It is our determined search for those fundamentals that gets us up each morning to prudently allocate capital and deliver value to you, our shareholder.

It is essential as long-term investors to not be influenced by the market's movements. Investment legend, Seth Klarman, summed it up best: "You must think for yourself and not allow the market to direct you."⁶ This is a creed we can stand behind.

Your Chief Executive Officer,



Blair Driscoll
March 25, 2021

⁵ New York Times, Dec. 23, 2019, "Forget Stock Market Forecasts. They're Less Than Worthless"

⁶ Seth Klarman, 1991, "Margin of Safety: Risk-Averse Value Investing Strategies for the Thoughtful Investor"

**FAX CAPITAL CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of FAX Capital Corp. (the "Company") for the year ended December 31, 2020 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 25, 2021.

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, 2020 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.

BUSINESS PROFILE

FAX Capital Corp. is an investment holding company. The Company invests in equity, debt and/or hybrid securities of high-quality public and private businesses, with a goal of building long-term wealth for shareholders. Our subordinate voting shares and Founder Warrants trade on the Toronto Stock Exchange (the "TSX") under the symbol "FXC" and "FXC.WT", respectively.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" within the meaning of applicable securities laws. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividends, plans and objectives of the Company. Particularly, statements regarding future results, performance, achievements, prospects or opportunities of the Company are forward-looking statements. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". 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; its plans to manage its investments; and the Company's financial performance.

Forward-looking statements are based on the opinions and estimates of the Company as of the date of this MD&A, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, including but not limited to the following factors described in greater detail in "*Risk and Uncertainties*": potential lack of investment diversification; pace of completing investments; financial market fluctuations and deterioration of political conditions; key employees; reliance on the performance of underlying assets; investments in private issuers; illiquid assets; competitive market for investment opportunities; competition and technology risks; credit risk; tax risks; regulatory changes and foreign security risk. 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 results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements, particularly in light of the ongoing and developing COVID-19 pandemic and its impact on the global economy and its uncertain future impact on the Company's operations and its portfolio companies. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements contained herein, except as required by applicable securities laws. New factors emerge from time to time, and it is not possible for the Company to predict all of these factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

USE OF NON-IFRS FINANCIAL MEASURES

This MD&A makes reference to the following financial measures which are not recognized under International Financial Reporting Standards (IFRS) and which do not have a standard meaning prescribed by IFRS: "book value per share" and "return on deployed capital".

The Company's book value per share is a measure of the performance of the Company as a whole. Book value per share is measured by dividing shareholders' equity of the Company at the date of the statement of financial position by the number of subordinate voting shares and multiple voting shares outstanding at that date.

The Company's return on deployed capital is a measure of the performance of the Company's invested capital. The return on deployed capital is measured by dividing the total of the fair value of each of the Company's investments, excluding cash, and any dividends received on those investments by the total cost of the investments at the measurement date.

The Company's method of determining these financial measures may differ from other companies' methods and, accordingly, these amounts may not be comparable to measures used by other companies. These financial measures are not performance measures as defined under IFRS and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

STRATEGY OVERVIEW

The following description is an overview of the Company's investment strategy:

- We intend 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.
- We anticipate that approximately 60% to 80% of our capital will be allocated towards public company investments, where we intend to take 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. We target small cap businesses with a market capitalization of between \$15 million and \$1.5 billion.
- The balance of our capital, or approximately 20% to 40%, will be allocated towards private company investments, where we will seek to enhance returns and provide our shareholders with a unique opportunity to obtain exposure to high-quality private businesses with enterprise values in the range of \$15 million to \$250 million.

- Our ownership position in a portfolio company may range from a minority ownership position to a significant influence position including, in some instances, control.
- We intend to use our ownership position to support our portfolio company's growth and development through active ownership. The support we extend to our portfolio companies may be provided by way of board representation, board observer rights, strategic, financial, governance and capital market support.
- We are long-term investors in businesses, and operate with a permanent capital base which enables us to provide long-term stable capital to our portfolio companies, and to remain patient to maximize the power of compounding.

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 (as defined below) 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 Company's board of directors (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 of investment into portfolio companies, the Company will invest at least 90% of the net proceeds of the Offerings in liquid and low risk securities.

DEVELOPMENT OF THE BUSINESS

Public Offering

On November 21, 2019, the Company closed a 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"). An aggregate of 15,560,000 Units were issued by the Company at the offering price of \$4.50 per Unit for aggregate gross proceeds of \$70.0 million. Also on November 21, 2019, the Company closed the purchase by Fax Investments Inc. ("Fax Investments"), on a private placement basis, of 26,671,110 multiple voting shares for aggregate gross proceeds of \$120.0 million. Fax Investments did not receive any Founder Warrants as part of its subscription for multiple voting shares. The aggregate gross proceeds of the Offering and the private placement (collectively, the "Offerings") was \$190.0 million.

TSX Sandbox Initiative

As a condition to our listing on the TSX, and pursuant to the TSX's Sandbox initiative for the listing of new issuers (the "TSX Sandbox"), 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 309(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 a short operating history in its current business and there is a limited basis upon which prospective investors may evaluate the Company's ability to achieve its stated business objective.

COVID-19 Pandemic

Governments worldwide have enacted emergency measures to combat the spread of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The volatility in equity markets in 2020 was significant. The year to date performance of the S&P TSX Composite index was negative 21.6% for the first quarter, improved to negative 9.1% by the end of the second quarter, further improved to negative 5.5% by the end of the third quarter, and ended the year with positive performance of 2.2% for 2020. The performance of the Company's investment portfolio, excluding cash and dividends, was also quite volatile in 2020. The year to date performance of the Company's investment portfolio was negative 25.7% for the first quarter, improved to negative 5.5% by the end of the second quarter, improved to positive 11.0% by the end of the third quarter, and ended the year with positive performance of 30.9% for 2020. Although the Company outperformed the S&P TSX Composite index, the volatility in the performance of the Company's investment portfolio was more severe, reflecting the concentrated nature of the Company's portfolio.

The full economic and social impact of the spread of COVID-19 is unknown but has caused many operating businesses to reduce or suspend operations thereby reducing operating cash flows. While the deterioration in economic conditions and reduction in valuations for some businesses may result in acquisition opportunities for the Company, COVID-19 may present challenges for its investee companies and may make it more difficult for the Company to deploy capital and complete investments. Further challenges could include delayed due diligence on target companies due to international or domestic travel restrictions or obtaining onsite access to target companies' facilities or physical books and records due to lockdown measures. Additionally, any target business that the Company identifies that has been required to reduce or suspend business operations for a period of time due to COVID-19 may be subject to increased business, employment, operating and financial risks.

The COVID-19 pandemic has also led to higher valuations for certain businesses that have shown to be resilient to the above-mentioned impacts of COVID-19 or which, in some cases, have benefited from the COVID-19 pandemic. To the extent that the Company seeks to make investments in these businesses, it may be required to pay a higher purchase price or may face increased competition from other investors looking to acquire such businesses.

The continuing or worsening of the economic and market conditions caused by the COVID-19 pandemic, and its impact on the economy could have a material adverse effect on the Company's business, including on the valuation of its investee companies and the Company's financial condition. In particular, the business of Points International Ltd., one of the Company's investee companies, is predominantly dependent on the sale or redemption of loyalty currency associated with travel related loyalty programs. As the COVID-19 pandemic has had a significant adverse impact on the demand and availability of air travel and hospitality services, the value and overall popularity of their loyalty programs may decline significantly or suffer long-term, which could materially impact the value of the Company's investment. Further information about the impact and their response to the pandemic can be accessed

from each of the Company's investee company websites or from their continuous disclosure documents at www.SEDAR.com.

To the extent the COVID-19 pandemic adversely impacts the Company's and its investee companies' business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described or referenced in this document.

Even though progress has been made on the deployment of vaccines, the duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. In response to the impact of COVID-19, the Company has implemented its business continuity plan, which has included moving all employees to work from home.

COVID-19 has the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: pace of completing investments, financial market fluctuations and deterioration of political and economic conditions, and competitive market for investment opportunities. These risks are discussed in further detail in the Risk and Uncertainties section of this MD&A.

SUMMARY OF INVESTMENT PORTFOLIO

During the year ended December 31, 2020, the Company deployed \$75.5 million of capital into six public company investments, in accordance with its business objective and investment strategies. Capital deployment slowed in the back half of the year due to the ongoing strength of the v-shaped recovery and expansion of market valuations. The Company continues to review its active investment pipeline, but will not waiver from its disciplined diligence process in reviewing and structuring potential transactions to ensure only the highest quality investments are made.

The Company held the following investments as at December 31, 2020:

Table 1: Schedule of Investment Portfolio as at December 31, 2020

(\$ thousands)				% of Portfolio
Description	Number of securities	Cost	Fair Value	Fair Value
Public company investments				
Points International Ltd.	978,755	19,064	18,234	8.7%
Hamilton Thorne Ltd.	15,899,600	18,535	22,259	10.7%
Information Services Corporation	1,039,067	15,532	20,688	9.9%
People Corporation	1,820,000	14,162	27,391	13.1%
Other (i)		8,208	10,254	4.9%
Cash and cash equivalents		109,800	109,800	52.6%
		185,302	208,626	100.0%

(i) Other includes common shares of two Canadian public companies in which the Company is in the process of accumulating its targeted position. Subsequent to December 31, 2020, the Company divested one of these investments.

A summary of changes in the fair value of the Company's investment portfolio for the year ended December 31, 2020 is as follows:

Table 2: Summary of Changes in the Company's Investment Portfolio

(\$ thousands)	Balance as of Jan. 1, 2020	Purchases	Net change in unrealized gains (losses) on investments	Balance as of Dec. 31, 2020
Public company investments				
Points International Ltd.	-	19,064	(830)	18,234
Hamilton Thorne Ltd.	-	18,535	3,724	22,259
Information Services Corporation	-	15,532	5,156	20,688
People Corporation	-	14,162	13,229	27,391
Other	-	8,208	2,045	10,254
Total investments	-	75,503	23,324	98,826

UPDATE ON INVESTMENT POSITIONS

Points International Ltd.

Business Overview

Points International Ltd. ("Points") is the global leader in providing e-commerce and technology solutions to the loyalty industry, connecting loyalty programs, third party brands and end consumers across a global transaction platform. Points partners with leading loyalty brands by providing solutions that help make their programs more valuable and engaging, while driving revenue and increasing profitability to the program. Points' business is focused on becoming an important strategic partner to the world's most successful loyalty programs by cooperating with them on valuable, private label, ancillary services.

The company is headquartered in Toronto, Canada and maintains offices in San Francisco, London, Singapore and Dubai. The company's shares are listed on both the TSX under the trading symbol "PTS" and on the NASDAQ Capital Market under the trading symbol "PCOM".

Points operates under the following three reportable segments:

Loyalty Currency Retailing: The Loyalty Currency Retailing segment provides products and services designed to help loyalty program members unlock the value of their loyalty currency and accelerate the time to a reward. Included in this segment are the buy, gift, transfer, reinstate, accelerator and elite services. These offerings provide loyalty program members the ability to buy loyalty program currency for themselves, as gifts for others, perform a transfer of loyalty currency to another loyalty program member, reinstate previously expired loyalty currency, accelerate earning of loyalty currency in conjunction with other transactions, or to access a higher tier status. This segment has direct partnerships with over 30 loyalty programs where Points either takes a principal or agency role in retailing and wholesaling of loyalty currencies.

Platform Partners: The Platform Partners segment is comprised of a broad range of applications that are connected to and enabled by the functionality of Points' Loyalty Commerce Platform ("LCP"). The LCP provides third parties transaction level access to loyalty program members and the ability to access the loyalty currencies of its program

partners. Loyalty programs, merchants, and other consumer service applications leverage the LCP to broadly distribute loyalty currency and loyalty commerce transactions through multiple channels.

Points Travel: The Points Travel segment connects the world of online travel bookings with the broader loyalty industry. The Points Travel product is the first white-label online travel service specifically designed for loyalty programs. The Points Travel product allows it to partner with loyalty programs in order to provide a seamless travel booking experience for loyalty program members, enabling members to earn and redeem their loyalty currency while making hotel bookings and car rentals online.

Additional information about the company, including the impacts of the COVID-19 pandemic on its business performance, can be accessed from Points' website at www.points.com.

Transaction Description

The Company's Investment Committee approved the investment in Points in February 2020. As at December 31, 2020, the Company had acquired 978,755 common shares in Points for aggregate consideration of \$19.1 million, representing a 7.4% equity ownership interest in the company. The fair value of the Company's investment in Points as at December 31, 2020 was \$18.2 million, resulting in an unrealized loss of \$0.8 million.

Hamilton Thorne Ltd.

Business Overview

Hamilton Thorne Ltd. ("Hamilton Thorne") is a global provider of laboratory instruments, consumables, software and services to the assisted reproductive technology ("ART"), research, and cell biology markets. The company develops, manufactures and markets products and delivers services that are sold under its own brand names, as well as provides an array of third-party equipment and consumables to meet customer requirements, ranging from accessories to support its core products to the full complement of equipment to outfit a new laboratory.

Hamilton Thorne's proprietary instrument, equipment and software product lines include precision laser devices, imaging systems, micromanipulation systems, air purification systems, incubators, control rate freezers, and lab monitoring systems. Its laser products attach to standard inverted microscopes and operate as micro-surgical devices, enabling a wide array of scientific applications and In Vitro Fertilization ("IVF") procedures. Hamilton Thorne's image analysis systems are designed to bring quality, efficiency and reliability to studies of reproductive cells in the human fertility, animal sciences, and reproductive toxicology fields. The company's micromanipulation system is targeted to assist the embryologist in performing critical procedures in the IVF lab with a high level of precision and reliability. Its air filtration products improve air quality in the laboratory. In August 2019, Hamilton Thorne acquired Planer Limited ("Planer"), a leading manufacturer of incubators, control rate freezers, and lab monitoring systems for the ART and cell biology markets worldwide and a provider of related services in the UK.

Hamilton Thorne's proprietary consumables and services cover a wide range of customer needs. Its GM501 family of products provides the IVF lab with a comprehensive cell culture media solution, including oocyte handling, sperm processing, embryo culture, and cryopreservation. Its line of glass micropipettes complements its micromanipulator system. The company's quality control assays are used in IVF labs for testing equipment and materials' toxicity to ensure the safest environment for successful embryo development. Its services cover a broad range of user needs, ranging from equipment service contract and maintenance programs; quality control testing services to manufacturers of medical devices, culture media and consumables used in IVF labs; and laboratory design and installation services.

The third-party products that Hamilton Thorne distributes cover a wide range of specialized equipment, software, accessories and consumables utilized by its IVF clinic, animal breeding, research, and cell biology customers, including microscopes, workstations, vitrification products, dishes and slides.

Hamilton Thorne sells its products and services through a growing direct sales force based in the US, Germany, France, and the UK, and through distributors, to well over 1,000 fertility clinics, hospitals, pharmaceutical companies, biotechnology companies, educational institutions and other commercial and academic research establishments in over 75 countries.

The clinical products that Hamilton Thorne markets are generally cleared for sale in the US, Europe (and other territories accepting a CE Mark), China, and Canada as well as a number of other markets.

Hamilton Thorne's European production facilities are ISO 13485 certified. Its US production facility is in the process of certification renewal. Its testing laboratory facilities are ISO 17025 certified.

Hamilton Thorne is headquartered in Beverly, Massachusetts. The company has production, sales and/or laboratory facilities in the US, Germany, and the UK, and sales/support personnel in France, Singapore, and Malaysia. The company's operations are conducted by its wholly owned subsidiaries, Hamilton Thorne, Inc. and Embryotech Laboratories Inc., each a Delaware corporation, Gynemed & Co. GmbH KG, a German Limited Partnership, and Planer Limited, a UK limited company.

Additional information about the company, including the impacts of the COVID-19 pandemic on its business performance, can be accessed from Hamilton Thorne's website at www.hamiltonthorne.com.

Recent Developments

On January 19, 2021, Marc Robinson, the Company's Managing Director, Investments, was appointed to the board of directors of Hamilton Thorne.

Transaction Description

The Company's Investment Committee approved the investment in Hamilton Thorne in February 2020. As at December 31, 2020, the Company had acquired a total of 15,899,600 common shares in Hamilton Thorne for aggregate consideration of \$18.5 million, representing an 11.5% equity ownership interest in the company. The fair value of the Company's investment in Hamilton Thorne as at December 31, 2020 was \$22.2 million, resulting in an unrealized gain of \$3.7 million.

Information Services Corporation

Business Overview

Information Services Corporation ("ISC") is a leading provider of registry and information management services and technology for public data and records. The company is headquartered in Saskatchewan, Canada. ISC was formed as a Saskatchewan-based crown corporation in January 2000 and was privatized through an initial public offering in May 2013, when the provincial government sold 69% of the company to public shareholders. ISC is listed on the TSX under the symbol "ISV".

ISC operates the following three reportable segments:

Registry Operations: ISC operates the province of Saskatchewan's land, property, and corporate registry under an exclusive 20-year Master Service Agreement, expiring in 2033. Revenue is earned through fees charged to

governments and private sector organizations for accessing registration, search, maintenance, and other ancillary services.

Services: ISC's Services segment delivers solutions uniting public records data, customer authentication, corporate services, collateral management and asset recovery to support registration, due diligence and lending practices of clients across Canada. Effective July 1, 2020, ISC recategorized its reporting to include the company's new Recovery Solutions division following the acquisition of the assets of Paragon, a technology-enabled asset recovery business, which closed on July 31, 2020. ISC's offerings are generally categorized into three divisions, namely Corporate Solutions, Regulatory Solutions, and Recovery Solutions.

Technology Solutions: ISC provides the development, delivery, and support of registries technology solutions. Revenue is generated through the sale of software licenses related to the technology platform, the provision of technology solution definition and implementation services and the provision of monthly hosting, support and maintenance services.

Additional information about the company, including the impacts of the COVID-19 pandemic on its business performance, can be accessed from ISC's website at www.isc.ca.

Transaction Description

The Company's Investment Committee approved the investment in ISC in January 2020. As at December 31, 2020, the Company had acquired 1,039,067 common shares in ISC for aggregate consideration of \$15.5 million, representing a 5.9% equity ownership interest in the company. The fair value of the Company's investment in ISC as at December 31, 2020 was \$20.7 million, resulting in an unrealized gain of \$5.2 million.

Subsequent to December 31, 2020, the Company acquired an additional 35,900 common shares of ISC for consideration of \$784.7 thousand, bringing its share ownership to 1,074,967 common shares.

People Corporation

Business Overview and Transaction Description

People Corporation ("People Corp.") is in the business of delivering employee benefits consulting, third party benefits administration, pension consulting, human resources consulting and executive search and staff recruitment services.

The Company's Investment Committee approved the investment in People Corp. in April 2020. At that time, People Corp. was publicly-traded on the TSX Venture Exchange (the "TSXV") under the symbol "PEO". As at December 31, 2020, the Company had acquired a total of 1,820,000 common shares in People Corp. for aggregate consideration of \$14.2 million, representing a 2.5% equity ownership interest in the company. The fair value of the Company's investment in People Corp. as at December 31, 2020 was \$27.4 million, resulting in an unrealized gain of \$13.2 million.

Recent Developments

On December 14, 2020, People Corp. announced that it had entered into a plan of arrangement (the "Arrangement"), pursuant to which an entity controlled by certain investment funds managed by the Merchant Banking business of Goldman Sachs & Co. LLC, acquired all of the outstanding common shares of People Corp. for \$15.22 in cash per share. The purchase price represented a 37% premium to the 20-day volume-weighted average price per share for the period ended December 11, 2020, and a 36% premium to the closing price of December 11, 2020. The Arrangement was approved by the People Corp.'s shareholders at a special meeting held on February 11, 2021 and

People Corp. obtained a final order from the Ontario Superior Court of Justice (Commercial List) in respect of the Arrangement on February 12, 2021. People Corp. was delisted from the TSXV at the close of trading on February 18, 2021.

As a result of the Arrangement, in February 2021 the Company recognized a realized gain of \$13.5 million on its investment of \$14.2 million.

OTHER INVESTMENT POSITIONS INITIATED DURING THE YEAR

On July 22, 2020, the Company's Investment Committee approved an investment in a company listed on the TSXV. As at December 31, 2020, the Company had acquired common shares of this undisclosed company for total consideration of \$6.3 million. Subsequent to December 31, 2020, the Company acquired additional common shares of this undisclosed company for consideration of \$2.3 million. The Company will provide further information on this investment once it has materially completed accumulating its targeted position.

On October 1, 2020, the Company's Investment Committee approved an investment in a company listed on the TSX. As at December 31, 2020, the Company had acquired common shares of this undisclosed company for total consideration of \$1.9 million. Subsequent to December 31, 2020, the Company's Investment Committee approved the divestiture of this investment as its share price had increased to a level that the Company was no longer interested in adding to its position. In February 2021, the Company recognized a realized gain of \$2.0 million on its investment of \$1.9 million in this company.

UPDATE ON INVESTMENT ACTIVITY SUBSEQUENT TO DECEMBER 31, 2020

Quisitive Technology Solutions

On March 8, 2021, the Company announced that it had entered into a binding agreement with Quisitive Technology Solutions, Inc. ("Quisitive") (TSXV: QUIS), a Microsoft Cloud Services and Payments Solutions Provider, to purchase, on a non-brokered private placement basis, 16,000,000 common shares of Quisitive from treasury at a price of \$1.25 per common share for an aggregate subscription amount of \$20,000,000. Quisitive intends to use the net proceeds of the private placement for strategic acquisition opportunities and for general corporate purposes.

Upon closing of the private placement on March 22, 2021, the Company holds approximately 7.6 per cent of the total issued and outstanding common shares of Quisitive. In conjunction with closing the private placement, the Company has entered into an Investor Rights Agreement, which provides, among other things, a right for the Company to nominate one member to the board of directors of Quisitive, a pre-emptive right to participate in future offerings of securities of the company, and requires the Company not to sell the common shares acquired through the private placement for 12 months following the closing of the private placement. In connection with the private placement, the Company received a capital commitment fee payment from Quisitive equal to 3.5 per cent of the aggregate subscription amount. Both the Investor Rights Agreement and Registration Rights Agreement are available under Quisitive's profile on www.sedar.com.

Carson, Dunlop & Associates Ltd.

On March 23, 2021, the Company announced that it had, through a wholly-owned subsidiary, completed the acquisition of a controlling interest in Carson, Dunlop & Associates Ltd. ("Carson Dunlop"), partnering with the company's Co-Founder Alan Carson. The Company invested \$11,750,000, plus a working capital adjustment of \$1,633,819, from its available cash balance for approximately 78 per cent of Carson Dunlop, on a debt free basis, representing a total enterprise value of \$15 million.

Carson Dunlop is a leading provider of proprietary technology-enabled education services and software for home inspectors across Canada and the United States, as well as a leading provider of home inspections services in the Greater Toronto Area. Carson Dunlop's direct to consumer online education business through their private career college is the market share leader in Canada with a growing presence in the United States, and its curriculum is also utilized by third-party colleges and associations. Its home inspection software tools and mobile app, provided on a subscription basis, are used to generate home inspections in over 220,000 homes annually across the United States and Canada. The company was founded in 1978 and is headquartered in Toronto.

Mr. Carson is continuing with the company as Chief Executive Officer and a significant shareholder, retaining approximately 22 per cent ownership in the company.

SELECT ANNUAL INFORMATION**Table 3: Statement of Financial Position Highlights**

Year ended (\$ thousands)	Dec. 31 2020	Dec. 31 2019
Cash and cash equivalents	109,800.3	187,991.7
Investments, at fair value	98,826.0	-
Other assets	1,486.2	757.6
Total assets	210,112.5	188,749.3
Accounts payable and accrued liabilities	2,893.8	1,974.4
Income taxes payable	250.7	-
Deferred income tax liability	48.6	-
Total liabilities	3,193.1	1,974.4
Shareholders' equity	206,919.4	186,775.0
Total liabilities and shareholders' equity	210,112.5	188,749.3
Book value per share	\$ 4.83	\$ 4.34

Table 4: Statement of Comprehensive Income Highlights

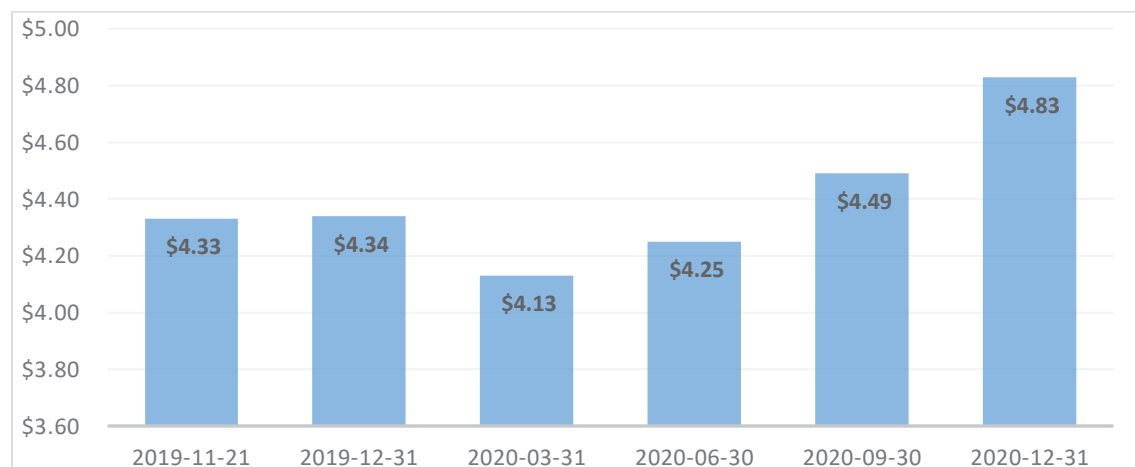
Year ended (\$ thousands)	Dec. 31 2020	Dec. 31 2019
Net change in unrealized gain on investments	23,323.5	-
Interest	1,888.8	544.4
Dividends	653.9	-
Total revenue	25,866.1	544.4
Total expenses	4,961.4	2,761.4
Income (loss) before income taxes	20,904.7	(2,217.0)
Provision for (recovery of) income taxes	1,583.0	(235.1)
Net income (loss) and comprehensive income (loss)	19,321.7	(1,981.8)
Earnings (loss) per share		
Basic	\$ 0.45	\$ (0.37)
Diluted	\$ 0.45	\$ (0.37)

RESULTS OF OPERATIONS

Book Value per Share

The Company's book value per share at December 31, 2020 was \$4.83, an increase of 11.3% or \$0.49 per share since December 31, 2019. The increase in the book value per share is primarily attributed to the Company earning a 31.8% return on its deployed capital during the year. In 2020, the Company recorded an unrealized gain of \$23.3 million and dividend income of \$653.9 thousand on its deployed capital of \$75.5 million. (Refer to Use of Non-IFRS Financial Measures for an explanation of the Company's use of non-IFRS financial measures.)

The following graph shows the Company's book value per share since November 21, 2019, the date the Company closed the Offerings.



Year Ended December 31, 2020

As at December 31, 2020, the Company had deployed \$75.5 million into its public company investment portfolio, and had cash resources of \$109.8 million available to be invested.

For the year ended December 31, 2020, the Company had revenue of \$25.9 million compared to revenue of \$544.4 thousand for the year ended December 31, 2019. The current year's revenue consisted of an unrealized gain on investments of \$23.3 million, largely attributed to the \$13.5 million unrealized gain recorded on the Company's investment in People Corp., interest income of \$1.9 million and dividend income of \$653.9 thousand. Last year, the Company's revenue consisted entirely of interest income.

For the year ended December 31, 2020, the Company incurred expenses of \$5.0 million as compared to \$2.8 million in 2019. The increase in total expenses is primarily due to the Company incurring expenses to support its operations as an investment holding company. The most significant expenses in the period include the following: compensation expenses of \$2.2 million; share-based compensation expenses of \$1.2 million; office, general and administrative expenses of \$785.1 thousand; professional fees (comprised of legal and audit fees) of \$374.2 thousand; director fees of \$225.8 thousand; and brokerage fees and expenses of \$211.1 thousand.

For the year ended December 31, 2020, the Company recorded a provision for deferred income taxes of \$1.6 million as compared to an income tax recovery of \$235.1 thousand in 2019, related to the resolution of a prior period tax matter.

Net income for the year ended December 31, 2020 was \$19.3 million or \$0.45 per share, compared to a net loss of \$2.0 million or (\$0.37) per share for the year ended December 31, 2019.

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

Table 5: Summary of Quarterly Results

	2020	2020	2020	2020	2019	2019	2019	2019
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
(\$ thousands)								
Net change in unrealized gain (loss) on investments	15,825.3	10,972.2	5,604.1	(9,078.1)	-	-	-	-
Interest	307.6	323.5	338.8	918.8	484.7	17.6	21.0	21.1
Dividends	211.8	197.8	191.6	52.7	-	-	-	-
Total revenue	16,344.7	11,493.5	6,134.5	(8,106.6)	484.7	17.6	21.0	21.1
Total expenses	1,728.5	1,152.6	1,003.4	1,077.0	1,109.5	625.6	755.0	271.3
Income (loss) before income taxes	14,616.2	10,340.9	5,131.1	(9,183.6)	(624.8)	(608.0)	(734.0)	(250.2)
Provision for (recovery of) income taxes	1,583.0	-	-	-	-	-	(41.8)	(193.3)
Net income (loss) and comprehensive income (loss)	13,033.2	10,340.9	5,131.1	(9,183.6)	(624.8)	(608.0)	(692.1)	(56.9)
(\$)								
Earnings (loss) per common share								
Basic	0.30	0.24	0.12	(0.21)	(0.03)	(0.76)	(0.87)	(0.07)
Diluted	0.30	0.24	0.12	(0.21)	(0.03)	(0.76)	(0.87)	(0.07)

QUARTERLY TREND ANALYSIS

The increase in the Company's revenue in the quarters ended December 31, 2020, September 30, 2020 and June 30, 2020 is attributed to the unrealized gain on investments recorded on the Company's public company investments. The decrease in the Company's revenue in the quarter ended March 31, 2020 is attributed to the unrealized loss on investments resulting from a decrease in the fair value of the Company's public company investments due primarily to the initial significant market impact of COVID-19. The Company's only source of revenue in quarters prior to March 31, 2020 was interest revenue. The increase in the Company's revenue in the quarter ended December 31, 2019, relative to the prior quarters presented, was attributed to interest earned on the net proceeds raised from the Offerings which closed in November 2019.

The Company's quarterly expenses have fluctuated. In the quarter ended March 31, 2019, the Company incurred 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 quarter ended March 31, 2020, the Company's expenses include expenses to support its operations as an investment holding company, including compensation and overhead expenses not charged in 2019, as well as brokerage fees and commissions which resulted from the Company starting its investing activity in the quarter. The expenses in the quarters ended June 30, 2020 and September 30, 2020 were relatively consistent with those in the quarter ended March 31, 2020. The increase in the Company's expenses in the quarter ended December 31, 2020 is mainly attributed to the increase in share-based compensation recorded.

In the quarter ended December 31, 2020, the Company recorded a provision for deferred income taxes of \$1.6 million. 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.

FOURTH QUARTER ENDED DECEMBER 31, 2020

Net income before income taxes for the quarter ended December 31, 2020 was \$14.6 million, compared to a net loss before income taxes in the quarter ended December 31, 2019 of \$624.8 thousand. The current quarter reflects the Company's operations as an investment holding company and its improved results are primarily driven by the performance of its investment portfolio. Revenue in the quarter ended December 31, 2020 includes an unrealized gain on its public company investments of \$15.8 million, interest income of \$307.6 thousand and dividend income of \$211.8 thousand whereas in the comparative quarter last year the Company's only revenue was interest income of \$484.7 thousand. Net income for the quarter ended December 31, 2020 was \$13.0 million or \$0.30 per share, compared to a net loss of \$624.8 thousand or (\$0.03) per share for the quarter ended December 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a cash balance of \$109.8 million at December 31, 2020, representing 52.3% of total assets, compared with \$188.0 million at December 31, 2019. The decrease in the Company's cash balance at December 31, 2020 compared to December 31, 2019 is primarily attributed to the Company's investing activities. During the year ended December 31, 2020, the Company invested \$75.5 million in six public company investments. The Company's current liabilities increased to \$3.2 million at December 31, 2020, representing only 1.5% of total assets, from \$2.0 million at December 31, 2019. The Company is well capitalized with adequate financial resources to continue its long-term investment strategy.

The Company's equity was \$206.9 million as at December 31, 2020, compared to \$186.8 million as at December 31, 2019. The increase in the Company's equity balance at December 31, 2020 compared to December 31, 2019 is primarily attributed to the Company recording an unrealized gain on its investments of \$23.3 million in the year ended December 31, 2020.

The Company's capital is primarily utilized in its ongoing business operations to execute on its public company and private company investment strategies. Other than the potential impact of COVID-19, 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 operation as an investment holding company.

NORMAL COURSE ISSUER BID

The Company commenced a Normal Course Issuer Bid (the "NCIB") on June 8, 2020 which is effective until the earlier of June 7, 2021 and the date on which the Company has purchased the maximum number of subordinate voting shares permitted under the NCIB. Pursuant to the NCIB, the Company may purchase up to 1,519,037 of its subordinate voting shares, representing 10% of the public float. The price that the Company will pay for any such subordinate voting shares will be the market price of such shares on the TSX, or such alternative trading systems, at the time of acquisition.

All subordinate voting shares acquired under the NCIB are cancelled. The Company will not purchase on any given day, in aggregate, more than 4,241 subordinate voting shares (the "Daily Limit"), being 25% of the average daily volume for the six-month period ended May 31, 2020, which is 16,967 subordinate voting shares, calculated in accordance with TSX rules. The Company may, however, complete one block purchase per calendar week that exceeds the Daily Limit in accordance with TSX rules.

In connection with its NCIB, the Company has entered into an Automatic Securities Repurchase Plan which provides standard instructions regarding how the Company's subordinate voting shares are to be purchased under the NCIB during certain pre-determined trading blackout periods, subject to pre-established parameters. Outside of these pre-determined trading blackout periods, purchases under the Company's NCIB are completed based upon management's discretion.

In the period from the commencement of the NCIB on June 8, 2020 to December 31, 2020, there were 193,535 subordinate voting shares (2019 – nil) purchased at a cost of \$634.5 thousand. The discount paid to purchase the shares below the stated value was allocated to Retained earnings (deficit).

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 provided 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%. For the year ended December 31, 2020, Federated Capital charged the Company expenses under the Administrative Services Agreement of \$137,397. For the year ended December 31, 2020, Federated Capital paid all compensation related expenses of the Chief Executive Officer and did not allocate these costs to the Company. For the year ended December 31, 2019, Federated Capital paid all compensation related expenses of the Chief Executive Officer, the Chief Financial Officer and the General Counsel and Corporate Secretary, and provided other administrative support services, including rent, at no cost to the Company.
- Fax Investments 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. During the year ended December 31, 2020, Fax Investments reimbursed the Company \$310.5 thousand of excess issue expenses.
- Fax Investments has agreed to pay at the end of each fiscal year of the Company, 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 2020 and, accordingly, Fax Investments was not required to reimburse the Company for excess operating expenses in 2020 (2019 - \$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. For the year ended December 31, 2020, Federated Capital paid all compensation related expenses of the Chief Executive Officer and did not allocate these costs to the Company. In 2019, Federated Capital paid all compensation related expenses of the Chief Executive Officer, Chief Financial Officer and General Counsel and Corporate Secretary at no cost to the Company.

Compensation related expenses for key management personnel for the year ended December 31, 2020 was \$668.8 thousand (2019 - \$300.8 thousand).

These expenditures were allocated as follows in the financial statements:

Table 6: Key Management Personnel

	Dec. 31	Dec. 31
(\$ thousands)	2020	2019
Compensation (Refer to Transactions with Related Parties)	\$ 330.8	\$ -
Director fees	225.8	300.8
Share-based compensation	112.2	-
	\$ 668.8	\$ 300.8

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 and available under the Company's profile 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.

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.

Pace of Completing Investments

The Company's business is to identify suitable investment opportunities, pursue such opportunities and consummate such opportunities. If the Company is unable to source and manage its investments effectively, it would adversely impact the Company's financial position and earnings. There can be no assurance as to the pace of finding and implementing investment opportunities.

Conversely, there may only be a limited number of suitable investment opportunities at any given time. A lengthy period prior to which capital is deployed may adversely affect the Company's overall performance. The COVID-19 pandemic may also exacerbate risks relating to the timing and pace of the Company's investments.

Financial Market Fluctuations and Deterioration of Political Conditions

In accordance with the Company's business objective and investment strategies, the Company has and will continue to 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 continuing global COVID-19 pandemic and the resulting social and humanitarian impact, political and civil unrest in the United States, falling or volatile oil prices and related international tensions 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.

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.

The Company's portfolio investments are also subject to this risk factor. As such, the value and business prospects of the Company's portfolio investments depends, in part, on their ability to retain key personnel and on the decision-making of such personnel.

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 investments 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.

Investments in Private Issuers

The Company has invested and 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.

Competitive Market for Investment Opportunities

The Company competes with a large number of other investors, such as private equity funds, mezzanine funds, investment banks and other equity and non-equity based public and private investment funds, and other sources of financing, including traditional financial services companies, such as commercial banks. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Company. In addition, certain competitors of the Company may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their respective market shares. There can be no assurance that the competitive pressures faced by the Company will not have a material adverse effect on its activities, financial condition and results of operations. In addition, as a result of this

competition, the Company may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that it will be able to identify and make investments.

The success of the Company will depend on the availability of appropriate investment opportunities and the ability of the Company to identify and source those investments. As noted above, the Company will be competing with private equity funds, as well as mezzanine funds, institutional investors and, potentially, strategic investors, for prospective investments. As a result of this competition, there can be no assurance that the Company will be able to locate suitable additional investment opportunities, acquire such investments on acceptable terms, or achieve an acceptable rate of return. The COVID-19 pandemic may also lead to increased competition between investors for businesses in certain industries.

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.

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.

CRITICAL ACCOUNTING ESTIMATES

Preparation of 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 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.

Investment Entity

Management has applied judgment in determining whether the Company meets the criteria required under IFRS 10, in order to be classified as an investment entity.

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 \$1.4 million as of December 31, 2020 (2019 - \$627.9 thousand), being the value of its interest receivable, dividend receivable and accounts receivable. Management believes these receivables are a low credit risk. As of December 31, 2019, the Company's exposure to credit risk consisted of its interest

receivable and a receivable from a related party. 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, 2019. The Company has working capital of \$108.1 million as of December 31, 2020 (2019 - \$186.8 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. If required, the company has the ability to sell a portion of its public company investments to supplement the liquidity requirements.

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

Table 7: Maturity Analysis of Financial Liabilities

(\$ thousands)	Payments due by period			Total
	Less than 1 year	1 - 3 years	4 - 5 years	
December 31, 2020				
Accounts payable and accrued liabilities	\$ 1,366.6	\$ 920.9	\$ -	\$ 2,287.5
Due to broker	606.4	-	-	606.4
	\$ 1,973.0	\$ 920.9	\$ -	\$ 2,893.9
December 31, 2019				
Accounts payable and accrued liabilities	\$ 1,974.4	\$ -	\$ -	\$ 1,974.4
	\$ 1,974.4	\$ -	\$ -	\$ 1,974.4

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. All securities present a risk of loss of capital. Any equity and derivative instrument that the Company may hold is susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments with the parameters of the Company's investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to equity price risk arises from its investment in securities of publicly traded companies. As at December 31, 2020, for securities of publicly traded companies, had the prices on respective stock exchanges for those securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$9.9 million (December 31, 2019 - \$nil) or approximately 4.7% (December 31, 2019 - %nil) of total assets. In practice, the actual results may differ.

There has been no change in the Company's long-term investment strategy, despite the pandemic.

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, 2020.

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, 2020.

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, 2020, 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, 2020, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2020, 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 2020, 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, 2020 consisted of 26,971,411 multiple voting shares, 15,866,136 subordinate voting shares and 15,559,500 Founder Warrants. As at December 31, 2020, the Company had 223,830 Restricted Share Units ("RSUs") outstanding. RSUs are share settled in subordinate voting shares.

The Company's issued and outstanding capital as at March 24, 2021 consisted of 26,971,411 multiple voting shares, 15,843,872 subordinate voting shares, 15,559,500 Founder Warrants and 356,549 RSUs.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The 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 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 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 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 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 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.

"Blair Driscoll"

Blair Driscoll
Chief Executive Officer

"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 financial statements of FAX Capital Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

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.

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

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

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

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



Chartered Professional Accountants
 Licensed Public Accountants
 March 25, 2021

FAX Capital Corp.

**Financial Statements
December 31, 2020 and 2019
(Presented in Canadian Dollars)**

STATEMENTS OF FINANCIAL POSITION
As at December 31

(In Canadian Dollars)

	2020	2019
	\$	\$
Assets		
Cash and cash equivalents	109,800,255	187,991,712
Accounts and other receivables (Note 3)	1,426,365	627,861
Prepaid expenses	33,235	113,872
Investments, at fair value (Note 4)	98,826,035	-
Capital assets (Note 5)	26,582	15,896
	210,112,472	188,749,341
Liabilities		
Accounts payable and accrued liabilities (Note 6)	2,287,480	1,974,377
Due to broker	606,366	-
Income taxes payable	250,651	-
Deferred income tax liability (Note 7)	48,600	-
	3,193,097	1,974,377
Shareholders' equity		
Share capital (Note 8)	184,666,952	183,956,760
Founder Warrants (Note 10)	4,888,632	4,800,044
Contributed surplus (Note 12 b))	171,180	-
Retained earnings (deficit)	17,192,611	(1,981,840)
	206,919,375	186,774,964
	210,112,472	188,749,341

Approved on Behalf of the Board:

Signed: "Blair Driscoll", Director

Signed: "Paul Gibbons", Director

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

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31

(In Canadian Dollars)		
	2020	2019
	\$	\$
Revenues		
Net change in unrealized gain on investments (Note 4)	23,323,512	-
Interest	1,888,754	544,411
Dividends	653,879	-
	25,866,145	544,411
Expenses		
Compensation (Note 14)	2,170,426	1,101,890
Share-based compensation (Note 12)	1,180,592	-
Office, general and administration (Note 14)	785,120	806,288
Professional fees	374,149	547,375
Director fees (Note 14)	225,833	300,833
Brokerage fees and commissions	211,095	-
Depreciation	14,218	4,993
	4,961,433	2,761,379
Income (loss) before income taxes	20,904,712	(2,216,968)
Provision for (recovery of) income taxes (Note 7)	1,583,045	(235,128)
Net income (loss) and comprehensive income (loss)	19,321,667	(1,981,840)
Earnings (loss) per share (Note 13)		
Basic	0.45	(0.37)
Diluted	0.45	(0.37)

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

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2019

(In Canadian Dollars)

	Share Capital		Founder Warrants (Note 10)	Contributed Surplus (Note 8)	Retained Earnings (Deficit)	Total Shareholders' Equity
	Subordinate Voting Shares (Note 8)	Multiple Voting Shares (Note 8)				
	\$	\$	\$	\$	\$	\$
Balance at January 1, 2019	8,948,742	4,000,000	-	417,784	(8,861,440)	4,505,086
Capital reorganization (Note 8 (b))	(8,373,574)	(70,082)	-	(417,784)	8,861,440	-
Shares issued (Note 8 (c) and (d))	64,885,200	120,019,995	5,134,800	-	-	190,039,995
Share issuance costs (Note 8 (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
Balance at January 1, 2020	61,230,274	122,726,486	4,800,044	-	(1,981,840)	186,774,964
Exercise of Founder Warrants	2,404	-	(154)	-	-	2,250
Repurchase and cancellation of shares (Note 9)	(737,915)	-	-	-	103,435	(634,480)
Income tax benefit of share issuance costs	1,121,378	324,325	88,742	-	-	1,534,445
Share based compensation (Note 12 (b))	-	-	-	171,180	-	171,180
Refundable dividend taxes (Note 11)	-	-	-	-	(250,651)	(250,651)
Net income	-	-	-	-	19,321,667	19,321,667
Balance at December 31, 2020	61,616,141	123,050,811	4,888,632	171,180	17,192,611	206,919,375

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

STATEMENTS OF CASH FLOWS
For the years ended December 31

(In Canadian Dollars)		
	2020	2019
	\$	\$
Operating activities		
Net income (loss)	19,321,667	(1,981,840)
Adjustments for non-cash items:		
Net change in unrealized (gain) loss on investments	(23,323,512)	-
Share-based compensation	171,180	-
Depreciation of capital assets	14,218	4,993
Refundable dividend taxes	(250,651)	-
Provision for deferred income taxes	1,583,045	-
Purchase of securities	(75,502,523)	-
Changes in non-cash working capital:		
Accounts and other receivables	(798,504)	(616,359)
Prepaid expenses	80,637	(109,147)
Accounts payable and accrued liabilities	313,103	1,691,346
Increase in due to broker	606,366	-
Income taxes payable	250,651	(366,850)
	(77,534,323)	(1,377,857)
Investing activities		
Purchase of capital assets	(24,904)	(20,889)
	(24,904)	(20,889)
Financing activities		
Proceeds from issue of Subordinate Voting Shares	-	64,885,200
Proceeds from issue of Multiple Voting Shares	-	120,019,995
Proceeds from issue of Founder Warrants	-	5,134,800
Proceeds from exercise of Founder Warrants	2,250	-
Subordinate Voting Shares purchased for cancellation	(634,480)	-
Share issuance costs	-	(5,788,277)
	(632,230)	184,251,718
Net change in cash and cash equivalents	(78,191,457)	182,852,972
Cash and cash equivalents, beginning of year	187,991,712	5,138,740
Cash and cash equivalents, end of year	109,800,255	187,991,712
Cash and cash equivalents is comprised of		
Cash	9,800,255	187,991,712
Cash equivalents	100,000,000	-
	109,800,255	187,991,712
Supplemental Cash Flow Information		
Interest paid	-	-
Income taxes paid, net of refunds	-	124,839

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

SCHEDULE OF INVESTMENT PORTFOLIO
As at December 31, 2020

(In Canadian Dollars)

Description	Number of securities	Cost	Fair value
		\$	\$
Public company investments			
Points International Ltd.	978,755	19,064,257	18,234,206
Hamilton Thorne Ltd.	15,899,600	18,535,262	22,259,440
Information Services Corporation	1,039,067	15,532,187	20,687,824
People Corporation	1,820,000	14,162,335	27,391,000
Other (i)		8,208,482	10,253,565
		75,502,523	98,826,035

(i) Other includes common shares of two Canadian public companies in which the Company was in the process of accumulating its targeted position. Subsequent to December 31, 2020, the Company divested one of these investments.

The accompanying notes are an integral part of these 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.

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 TD Tower West, 100 Wellington Street West, Suite 2110 Toronto, Ontario, M5K 1H1.

2. Significant Accounting Policies

Statement of Compliance

These annual 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 financial statements are presented below.

The Company qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*.

Basis of Presentation

These 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.

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.

Critical Accounting Judgments, Estimates, and Assumptions

The preparation of the 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 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.

2. Significant Accounting Policies (continued)

Critical Accounting Judgments, Estimates, and Assumptions (continued)

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

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, the Company is required to make significant judgements about its business model for managing its financial instruments, and whether or not the business of the Company is to manage the financial assets with the objective of realizing cash flows through the sale of the assets for the purpose of classifying certain financial instruments at fair value through profit or loss ("FVTPL").

Valuation of investments

Investments are measured at fair value in accordance with IFRS 13, *Fair Value Measurement*. Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed and/or principally traded, provided the close price is within the bid-ask spread.

Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

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 used the Black-Scholes model to calculate the value of Founder Warrants issued as part of the Company's Offering (as defined herein). 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 Offering, net of issuance costs, were allocated between Subordinate Voting Shares and Founder Warrants issued according to their relative fair value.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis in the statements of comprehensive income (loss).

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 statements of comprehensive income (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 and cash equivalents, accounts and other receivables, investments and accounts payable and accrued liabilities.

All financial assets are initially recorded at fair value in the statements of financial position. 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 cash and cash equivalents, 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 appropriately 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.

Earnings (loss) per share

Basic net earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year. Diluted net earnings (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 earnings (loss) per share.

2. 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 settled awards of Performance Share Units, Restricted Share Units and Deferred Share Units granted under its long-term incentive plan. Compensation expense is recognized over the award's vesting period. The liability is remeasured at fair value at each reporting period.

The Company records an increase in Contributed surplus for share settled awards of Performance Share Units, Restricted Share Units and Deferred Share Units granted under its long-term incentive plan. Compensation expense is based on the fair value of the award on its grant date and is recognized over the award's vesting period. When the award vests, the amount recorded in Contributed surplus is added to Share capital.

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 statements of financial position date. Deferred tax relating to items recognized directly in equity is also recognized in equity and not in the statements of comprehensive income (loss).

2. Significant Accounting Policies (continued)

Income taxes (continued)

(ii) Deferred tax: (continued)

The carrying amount of deferred tax assets is reviewed at each 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 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 they cannot be utilized.

Interest in Other Entity

The Company does not consolidate its subsidiary 2794677 Ontario Corp. As at December 31, 2020, this subsidiary entity was wholly-owned by the Company and had no assets or liabilities.

3. Accounts and Other Receivables

Accounts and other receivables consist of the following:

	2020	2019
	\$	\$
Interest	870,957	359,630
Dividends	211,818	-
Accounts receivable (Note 20)	343,590	-
Due from Fax Investments Inc. (Note 14 (b))	-	268,231
	1,426,365	627,861

4. Investments

The Company's investments are financial instruments and have been classified at FVTPL with gains and losses recorded in net income. Investment transactions are recorded on a trade date basis.

Fair value measurements of the investments are classified based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

4. Investments (continued)

The following table includes the disaggregation of unrealized gain (loss) on investments for the years ended December 31, 2020 and 2019:

	2020	2019
	\$	\$
Unrealized gain (loss) on investments - beginning of year	-	-
Unrealized gain (loss) on investments - end of year	23,323,512	-
Net change in unrealized gain (loss) on investments	23,323,512	-

Investments consisted of the following as at December 31, 2020:

Financial assets					
measured at fair value	Cost	Level 1	Level 2	Level 3	Total Fair Value
	\$	\$	\$	\$	\$
Equities	75,502,523	98,826,035	-	-	98,826,035

Transfers between the three levels of the fair value hierarchy are recognized on the date of the event or change in circumstances that caused the transfer. The Company did not have any investments at December 31, 2019.

5. Capital Assets

The following is a continuity schedule of computer equipment:

	2020	2019
	\$	\$
Cost		
Balance - beginning of year	20,889	-
Additions	24,904	20,889
Balance - end of year	45,793	20,889
Accumulated Amortization		
Balance - beginning of year	4,993	-
Depreciation	14,218	4,993
Balance - end of year	19,211	4,993
Carrying Value	26,582	15,896

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2020	2019
	\$	\$
Accounts payable	220,008	494,189
Accrued liabilities	158,153	780,188
Short-term employee compensation payable	899,907	700,000
Share-based compensation payable (Note 12 (c) & (d))	1,009,412	-
	2,287,480	1,974,377

7. Income Taxes

The Company's provision for (recovery of) income taxes for the years ended December 31, 2020 and 2019 is summarized as follows:

	2020	2019
	\$	\$
Income (loss) before income taxes	20,904,712	(2,216,968)
Expected taxes payable (recoverable) at future rates - 26.5%	5,539,749	(587,497)
Income tax effect of the following:		
Non-taxable portion of unrealized (gains) losses	(3,090,365)	-
Dividends not subject to Part I tax	(173,278)	-
Recognition of loss carry forwards	(743,177)	-
Adjustments for prior years	-	(235,128)
Deferred tax asset not recognized	-	583,668
Other	50,116	3,828
Provision for (recovery of) income taxes	1,583,045	(235,128)

The income tax expense (recovery) is represented as follows:

	2020	2019
	\$	\$
Income tax recovery	-	(235,128)
Provision for deferred income taxes	1,583,045	-
Provision for (recovery of) income taxes	1,583,045	(235,128)

7. Income Taxes (continued)

The components of the Company's deferred income tax liability are as follows:

	2020	2019
	\$	\$
Unrealized capital gains on investments	3,090,365	-
Cash settled share-based compensation	(267,494)	-
Non-capital loss carry forwards	(1,853,604)	(583,668)
Share issuance expenses	(920,667)	-
Deferred tax asset not recognized	-	583,668
Total deferred income tax liability	48,600	-

As at December 31, 2020, the Company had non-capital losses of approximately \$6,994,732 available for carryforward for tax purposes. The expiry dates of these losses are as follows:

Expiry Date	Amount
	\$
December 31, 2038	608,998
December 31, 2039	3,353,516
December 31, 2040	3,032,218
	6,994,732

8. 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. ("Fax Investments") owns all of the issued and outstanding Multiple Voting Shares;
- (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
- (iv) On December 17, 2018, the Company entered into a coattail agreement with Computershare Trust Company of Canada, acting as trustee on behalf of the holders of Subordinate Voting Shares, and Fax Investments (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.

8. Share Capital (continued)

(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 up until the date that is 24 months following November 21, 2019, the date the Company closed the Offering (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 (see Note 10).

(d) Private Placement of Multiple Voting Shares

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 of \$4.50 for an aggregate amount of \$120,019,995 (the "Substantial Equity Investment"). Fax Investments 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 the Offering and the Substantial Equity Investment. 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.

8. Share Capital (continued)

(f) Issued and Outstanding

	2020		2019	
	Number	Amount	Number	Amount
		\$		\$
Issued - Multiple voting shares				
Balance - beginning of year	26,971,411	122,726,486	300,301	4,000,000
Capital reorganization	-	-	-	(70,082)
Private placement	-	-	26,671,110	120,019,995
Share issuance costs	-	-	-	(1,223,427)
Income tax benefit of share issuance costs	-	324,325	-	-
Balance - end of year	26,971,411	123,050,811	26,971,411	122,726,486
Issued - Subordinate voting shares				
Balance - beginning of year	16,059,171	61,230,274	499,171	8,948,742
Capital reorganization	-	-	-	(8,373,574)
Public offering of units	-	-	15,560,000	64,885,200
Share issuance costs	-	-	-	(4,230,094)
Issued on exercise of Founder Warrants	500	2,404	-	-
Normal Course Issuer Bid Repurchases	(193,535)	(737,915)	-	-
Income tax benefit of share issuance costs	-	1,121,378	-	-
Balance - end of year	15,866,136	61,616,141	16,059,171	61,230,274
Total		184,666,952		183,956,760

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.

9. Normal Course Issuer Bid

The Company commenced a Normal Course Issuer Bid (the "NCIB") on June 8, 2020 which is effective until the earlier of June 7, 2021 and the date on which the Company has purchased the maximum number of Subordinate Voting Shares permitted under the NCIB. Pursuant to the NCIB, the Company may purchase up to 1,519,037 of its Subordinate Voting Shares, representing 10% of the public float. The price that the Company will pay for any such Subordinate Voting Shares will be the market price of such shares on the TSX, or such alternative trading systems, at the time of acquisition. All Subordinate Voting Shares acquired under the NCIB are cancelled.

In connection with its NCIB, the Company has entered into an Automatic Securities Repurchase Plan which provides standard instructions regarding how the Company's Subordinate Voting Shares are to be purchased under the NCIB during certain pre-determined trading blackout periods, subject to pre-established parameters. Outside of these pre-determined trading blackout periods, purchases under the Company's NCIB will be completed based upon management's discretion and in accordance with the TSX rules.

9. Normal Course Issuer Bid (continued)

In the period from the commencement of the NCIB on June 8, 2020 to December 31, 2020, there were 193,535 Subordinate Voting Shares (2019 – nil) purchased at a cost of \$634,480. The discount paid to purchase the shares below the stated value was allocated to Retained earnings (deficit).

10. Founder Warrants

A summary of the status of the Company's Founder Warrants and changes during the year is as follows:

	2020		2019	
	Number	Amount	Number	Amount
		\$		\$
Founder Warrants				
Balance - beginning of year	15,560,000	4,800,044	-	-
Public offering of units	-	-	15,560,000	5,134,800
Warrant issuance costs	-	-	-	(334,756)
Exercised during the year	(500)	(154)	-	-
Income tax benefit of share issuance costs	-	88,742	-	-
Balance - end of year	15,559,500	4,888,632	15,560,000	4,800,044

Each Founder Warrant entitles the holder to purchase one Subordinate Voting Share at a price of \$4.50 per share until November 21, 2021.

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

11. Refundable Tax on Dividends

Dividends received by the Company from Canadian corporations are subject to a special refundable Part IV tax of 38½% under the Income Tax Act (Canada). The tax is not imposed if the Company owns more than a 10% interest in the payer, unless the payer was entitled to a refund of tax in respect of the dividend. When the Company pays dividends to its shareholders, the tax is refundable at a rate of 38½% of taxable dividends paid. Current and deferred tax consequences on Part IV taxes are recognized in the statements of comprehensive income (loss). The refundable dividend tax on hand as at December 31, 2020 amounts to \$250,651 (2019 - \$nil).

12. Long-term Incentive Plan

The Company has adopted 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, 2020 and 2019. 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 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 participant’s account with respect to awards of RSUs.

12. Long-term Incentive Plan (continued)

(b) Restricted Share Units (continued)

During the year ended December 31, 2020, the Company issued 223,830 Discretionary RSUs (2019 – nil). The Company recorded a share-based compensation expense of \$171,180 related to its outstanding Discretionary RSUs (2019 - \$nil). As at December 31, 2020, the Company had 223,830 Discretionary RSUs outstanding (2019 – nil) and no Elective RSUs outstanding (2019 – nil).

(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 participant’s account with respect to awards of DSUs.

During the year ended December 31, 2020, the Company issued 24,946 Elective DSUs (2019 – nil). The Company recorded a share-based compensation expense of \$88,558 related to its outstanding Elective DSUs (2019 - \$nil). The liability related to the Company’s Elective DSUs was \$88,558 at December 31, 2020 (2019 - \$nil). As at December 31, 2020, the Company had 24,946 Elective DSUs outstanding (2019 – nil) and no Discretionary DSUs outstanding (2019 – nil).

(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 participant’s account with respect to awards of PSUs. PSUs are cash settled.

During the year ended December 31, 2020, the Company issued 362,756 PSUs (2019 – nil). The Company recorded a share-based compensation expense of \$920,854 related to its outstanding PSUs (2019 - \$nil). The liability related to the Company’s PSUs was \$920,854 at December 31, 2020 (2019 - \$nil). As at December 31, 2020, the Company had 362,756 PSUs outstanding (2019 – nil).

13. Earnings (loss) per share

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

	2020	2019
Net income (loss) available to common shareholders	\$ 19,321,667	\$ (1,981,840)
Weighted average number of common shares outstanding		
- basic	42,996,056	5,427,539
- diluted	43,156,284	5,427,539
Earnings (loss) per common share		
Basic	\$ 0.45	\$ (0.37)
Diluted	\$ 0.45	\$ (0.37)

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares for the purpose of diluted earnings per share.

	2020	2019
Founder Warrants	15,559,500	15,560,000

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.

14. Related Party Transactions

In addition to the share issuance transactions described in Note 8, the following transactions have occurred with related parties in the normal course of operations.

- The Company and Federated Capital Corp. ("Federated Capital"), the parent company of Fax Investments, entered into an agreement (the "Administrative Services Agreement") on November 21, 2019 whereby the Company is provided 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%. For the year ended December 31, 2020, Federated Capital charged the Company expenses under the Administrative Services Agreement of \$137,397. For the year ended December 31, 2020, Federated Capital paid all compensation related expenses of the Chief Executive Officer and did not allocate these costs to the Company. For the year ended December 31, 2019, Federated Capital paid all compensation related expenses of the Chief Executive Officer, the

14. Related Party Transactions (continued)

- a) Chief Financial Officer and the General Counsel and Corporate Secretary, and provided other administrative support services, including rent, at no cost to the Company.
- b) Fax Investments agreed to pay all issue expenses, excluding agents' commissions, incurred by the Company in connection with the Offering and the Substantial Equity Investment (collectively, the "Offerings") in excess of 1.5% of the gross proceeds of the Offerings. During the year ended December 31, 2020, Fax Investments reimbursed the Company \$310,548 of excess issue expenses.
- c) Fax Investments has agreed to pay at the end of each fiscal year of the Company, 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 2020 and, accordingly, Fax Investments was not required to reimburse the Company for excess operating expenses in 2020 (2019 - \$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. For the year ended December 31, 2020, Federated Capital paid all compensation related expenses of the Chief Executive Officer and did not allocate these costs to the Company. In 2019, Federated Capital paid all compensation related expenses of the Chief Executive Officer, the Chief Financial Officer and the General Counsel and Corporate Secretary at no cost to the Company.

Compensation related expenses for key management personnel for the year ended December 31, 2020 was \$668,828 (2019 - \$300,833).

These expenditures were allocated as follows in the financial statements:

	2020	2019
	\$	\$
Compensation (Refer to Note 14 (a))	330,826	-
Director fees	225,833	300,833
Share-based compensation	112,169	-
	668,828	300,833

15. Management of Capital

The Company includes the following in its managed capital:

	2020	2019
	\$	\$
Multiple Voting Shares	123,050,811	122,726,486
Subordinate Voting Shares	61,616,141	61,230,274
Founder Warrants	4,888,632	4,800,044
Contributed surplus	171,180	-
Retained earnings (deficit)	17,192,611	(1,981,840)
	206,919,375	186,774,964

The Company is not subject to externally imposed capital requirements.

16. 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 \$1,426,365 as of December 31, 2020 (2019 - \$627,861), being the value of its interest receivable, dividend receivable and accounts receivable. Management believes these receivables are a low credit risk. As of December 31, 2019, the Company's exposure to credit risk consisted of its interest receivable and a receivable from a related party. 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 not 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, 2019. The Company has working capital of \$108,066,758 as of December 31, 2020 (2019 - \$186,759,068) 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.

16. Financial Instruments (continued)

Liquidity Risk (continued)

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, 2020				
Accounts payable and accrued liabilities	1,366,626	920,854	-	2,287,480
Due to broker	606,366	-	-	606,366
	1,972,992	920,854	-	2,893,846
December 31, 2019				
Accounts payable and accrued liabilities	1,974,377	-	-	1,974,377
	1,974,377	-	-	1,974,377

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

	Liquidity by period			Total
	Less than 1 year	More than 1 year	Non-liquid	
	\$	\$	\$	\$
December 31, 2020				
Cash and cash equivalents	109,800,255	-	-	109,800,255
Accounts and other receivables	1,426,365	-	-	1,426,365
	111,226,620	-	-	111,226,620
December 31, 2019				
Cash and cash equivalents	187,991,712	-	-	187,991,712
Accounts and other receivables	627,861	-	-	627,861
	188,619,573	-	-	188,619,573

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.

16. Financial Instruments (continued)

Market risk (continued)

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. All securities present a risk of loss of capital. Any equity and derivative instrument that the Company may hold is susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to equity price risk arises from its investment in publicly traded securities. As at December 31, 2020, had the prices on the respective stock exchanges for those securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$9,882,604 (December 31, 2019 - \$nil) or approximately 4.7% (December 31, 2019 - %nil) of total assets. In practice, the actual results may differ.

There has been no change in the Company's long-term investment strategy, despite the pandemic.

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, 2020.

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, 2020.

17. COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving all employees to work from home. To date, the Company's operations have otherwise not been materially impacted.

17. COVID-19 (continued)

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

18. Comparative Financial Statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2020 financial statements.

19. Approval of Financial Statements

The financial statements were approved by the Board of Directors and authorized for issue on March 25, 2021.

20. Subsequent Event

On March 23, 2021, the Company's subsidiary, 2794677 Ontario Corp., completed the acquisition of an approximate 78 per cent controlling interest in Carson, Dunlop & Associates Ltd. ("Carson Dunlop") for cash consideration of \$11,750,000 plus a working capital adjustment of \$1,633,819.

Carson Dunlop has agreed to reimburse the Company for its third-party transaction and due diligence expenses subsequent to the close of the transaction, of which \$343,590 was recorded as a receivable in the Company's financial statements as at December 31, 2020.

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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